MINISTRY OF FINANCE

Public Accounts of ONTARIO

2007–2008

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

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AND
CONSOLIDATED FINANCIAL
STATEMENTS

To The Honourable
David C. Onley
Lieutenant Governor of Ontario

May It Please Your Honour:

The undersigned has the honour to present the Public Accounts of the Province of Ontario for the fiscal year ended March 31, 2008, in accordance with the requirements of the *Ministry of Treasury and Economics Act*.

Respectfully submitted,

The Honourable Dwight Duncan
Minister of Finance
Toronto, August 2008

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FOREWORD

I am pleased to present the 2007–2008 Ontario Public Accounts. The surplus for the fiscal year ending March 31, 2008 was $1.7 billion, before taking into account our new *Investing in Ontario Act, 2008*. Under the act, $1.1 billion in additional transfers is being provided to municipalities resulting in a final surplus of $600 million being put towards reducing the Province's accumulated deficit.

This is the third consecutive surplus for Ontario — a record of which we are proud because it shows that our approach to financial management, based as it is on discipline and prudence, has been successful.

When the government took office in October 2003, Ontario faced a $5.5 billion fiscal deficit and serious investment shortages in our education and health care systems, as well as our infrastructure and Ontario's most vulnerable citizens.

Today, funding has been restored to these key areas and our fiscal position has improved dramatically with our responsible and prudent financial management.

The 2007 Budget continued to make important investments in education, health care and infrastructure, while launching initiatives to expand opportunities for children and families and to protect the environment.

Ontario's 2007–2008 performance demonstrated the resilience of our economy in the face of key global challenges beyond the province's control — high oil prices, a slower U.S. economy and a strong Canadian dollar that has particularly impacted our manufacturing base.

In recognition of these global factors, the government announced strategic steps in its Economic Outlook and Fiscal Review last fall to assist manufacturers and workers through a $3 billion package of business tax measures and investments in skills, training and infrastructure over three years. This included more than $600 million in tax cuts for 2007–08.

In the 2008 Budget, our government initiated further steps to assist workers displaced by changing global economic forces. A $1.5 billion, three-year Skills to Jobs Action Plan, plus additional infrastructure spending and new business tax relief, were implemented to create jobs in the short term and strengthen our economy in the long term.

The international factors that impacted Ontario's economy last year remain as challenges. The government must remain responsible in its management of provincial finances while continuing to invest in key priority areas.

Over the past five years, the government has taken a number of steps to enhance transparency and accountability, including the *Fiscal Transparency and Accountability Act* passed by the Ontario legislature in 2004. The act ensures that economic updates are released to the public in a timely fashion.

The government remains committed to a five-point economic plan, which seeks to:

- make investments in the skills and education of our people
- accelerate our investments in infrastructure
- support innovation
- lower business costs
- strengthen key partnerships to maximize our future potential.

We are investing in Ontario's strongest asset — its people – so that this province will continue to successfully compete in the global economy.

In order to provide a stimulus to our economy, we passed historic legislation in the spring – the *Investing in Ontario Act*. This legislation allows the government flexibility to use year-end surpluses to invest more dollars in our communities during times of moderate economic growth, in addition to deficit reduction.

Based on Ontario's 2007–08 financial performance, municipalities will receive $1.1 billion – funds that will allow our municipal partners to address some immediate capital needs in our communities, whether it is to improve roads and bridges, expand transit or upgrade social housing.

For 2007–2008, municipalities were chosen as the recipients because we know investing in municipal infrastructure means more jobs in the short term and improved prosperity in the long run.

Taking a prudent, balanced and fiscally responsible approach means investing in key priorities — such as skills training, education, infrastructure and innovation. At the same time, we're making strategic cuts to business taxes and strengthening partnerships.

By making strategic investments and ensuring an attractive business environment, we are taking the right steps to ensure a bright future for all Ontarians now, and in the years to come.

The Honourable Dwight Duncan
Minister of Finance

INTRODUCTION

The Annual Report, which forms part of the Public Accounts of the Province of Ontario, outlines Ontario's financial position and the results of operations for the fiscal year ended March 31, 2008. This report is one of the major financial accountability documents of the Province, wrapping up the financial results of the past year. It represents the final outcome of the Ontario Budget for 2007–08 that was released in March 2007.

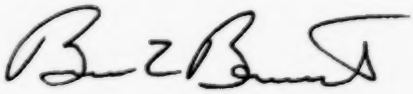
In April 2007, the Province released Ontario's first *Pre-Election Report on Ontario's Finances*, in line with requirements of the *Fiscal Transparency and Accountability Act, 2004* (FTAA). The first document of its kind in Canada, the Pre-Election Report was independently reviewed by the province's Auditor General, who found the fiscal plan for 2007–08 presented in the report to be reasonable. This Annual Report provides the public with actual results compared to the plan.

The Province continues to improve its financial management to enhance transparency and accountability. For 2007–08, we strengthened the accountability framework for government investments made in the fourth quarter of the fiscal year. The new measures increase confidence in the due diligence applied to public investments.

The Financial Statement Discussion and Analysis provided in this report builds on the commitment to openness and transparency in financial information. It helps to show the links between financial results and the outcomes of public investments. The report also highlights the financial management principles that the Province uses in support of its fiscal goals.

Producing the Public Accounts of Ontario requires the teamwork and cooperation of a large number of staff in ministries, agencies and organizations in the broader public sector. In addition, the Office of the Auditor General plays a critical role in reviewing and reporting on the Province's financial statements. I would like to thank everyone who was involved in preparing the 2007–08 Public Accounts for their very important contributions.

Comments on the Public Accounts are welcome. Please share your thoughts by e-mail at annualreport@ontario.ca, or by writing to the Office of the Provincial Controller, Re: Annual Report, Ontario Ministry of Finance, First Floor, Frost Building South, 7 Queen's Park Crescent, Toronto, ON M7A 1Y7.



Bruce L. Bennett, CA
Assistant Deputy Minister and Provincial Controller
Ontario Ministry of Finance

GUIDE TO THE PUBLIC ACCOUNTS

The Public Accounts of the Province of Ontario comprise this Annual Report and three supporting volumes.

Annual Report

The Annual Report includes a Financial Statement Discussion and Analysis that explains the financial and other results, as well as the Province's Consolidated Financial Statements.

The Consolidated Financial Statements are made up of several documents and schedules:

- The Auditor General's Report on the Consolidated Financial Statements expresses the opinion of the Auditor General that the statements fairly report the activities of the government in accordance with Canadian generally accepted accounting principles.
- The Consolidated Statement of Operations reports the annual surplus or deficit from operations in the period. It shows government revenue, the cost of providing services and other expenses, and the difference between them.
- The Consolidated Statement of Financial Position shows the financial and non-financial resources of the Province against its obligations. The Province's obligations less its financial resources is called its net debt. The Province's accumulated deficit is its net debt less the value of its tangible capital assets and the net assets of hospitals, school boards and colleges.
- The Consolidated Statement of Change in Net Debt shows the combined impact on net debt of the Province's annual surplus, changes in the fair market value of ONFA funds, and its investments during the year in tangible capital assets and the net assets of hospitals, school boards and colleges.
- The Consolidated Statement of Change in Accumulated Deficit shows the impact of the annual surplus or deficit and changes in the fair market value of Ontario Nuclear Funds Agreement investments (ONFA funds) on the Province's accumulated deficit.
- The Consolidated Statement of Cash Flow shows the sources and uses of cash over the period. Government's operating activities, including the annual surplus, and changes in its financial investments, may use or provide cash over the fiscal year. Increases in debt are a source of cash, while investments in tangible capital assets and the net assets of hospitals, school boards and colleges are uses of cash.
- Notes and schedules provide further information and detail on the items in the various statements and form an integral part of the Consolidated Financial Statements. The notes also include a summary of the significant accounting policies that guide the financial statement reporting.

Supporting Volumes

- Volume 1 contains ministry statements and detailed schedules of debt and other items. The ministry statements reflect the financial activities of the government's ministries on the accrual basis of accounting, providing a comparison of appropriations with actual spending. Ministry expenses include all expenses that are subject to appropriation approved by the Legislative Assembly, but exclude adjustments arising from consolidation of government organizations whose expenses are not appropriated.
- Volume 2 contains the financial statements of significant provincial corporations, boards and commissions that are part of the government's reporting entity, and other miscellaneous financial statements.
- Volume 3 contains detailed schedules of ministry payments.

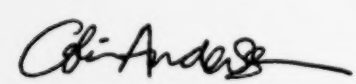
STATEMENT OF RESPONSIBILITY

The Consolidated Financial Statements and Financial Statement Discussion and Analysis are prepared by the Government of Ontario in compliance with legislation and in accordance with generally accepted accounting principles for governments in Canada.

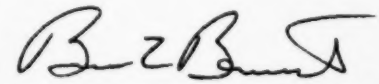
The government accepts responsibility for the objectivity and integrity of these Consolidated Financial Statements and the Financial Statement Discussion and Analysis.

The government is also responsible for maintaining systems of financial management and internal control to provide reasonable assurance that transactions recorded in the Consolidated Financial Statements are within statutory authority, assets are properly safeguarded and reliable financial information is available for preparation of these Consolidated Financial Statements.

The Consolidated Financial Statements have been audited by the Auditor General of Ontario and his report appears on page 27 of this document.



Colin Andersen
Deputy Minister
August 1, 2008



Bruce L. Bennett, CA
Assistant Deputy Minister
and Provincial Controller
August 1, 2008

FINANCIAL STATEMENT DISCUSSION AND ANALYSIS

HIGHLIGHTS

The Province achieved a surplus of $600 million in 2007–08, exceeding its 2007 Budget target for the year. Higher-than-expected revenues allowed the government to increase its investments in key areas, particularly infrastructure, to strengthen Ontario's economy, and to reduce the accumulated deficit.

In 2007–08, the Province invested a total of $9.9 billion in infrastructure to improve Ontario's highways, public transit, municipal roads and bridges, hospitals, places to learn and other public assets. These investments included an additional $1.1 billion provided to Ontario municipalities through the new *Investing in Ontario Act, 2008*. Investing in infrastructure is a crucial component of a strong economy and part of the government's five-point plan for jobs and growth in Ontario.

The five-point plan focuses on:

- Investing in skills and knowledge
- Investing in infrastructure for a stronger Ontario
- Lowering business costs
- Strengthening the environment for innovation
- Forming key partnerships to strengthen Ontario.

As a further economic stimulus, and in line with the plan, the government also announced more than $600 million in tax cuts for 2007–08.

2007–08 Actual Results against Budget Plan **Table 1**
($ Billions)

	2007–08 Budget	2007–08 Actual	Change
Revenue	91.5	97.1	5.6
Expense			
Programs	82.0	87.6	5.6
Interest on debt	9.1	8.9	(0.2)
Total Expense	91.2	96.5	5.4
Annual Surplus[1]	0.4	0.6	0.2

[1] A reserve of $750 million included in the 2007 Budget plan is not shown in the above results, as it was not needed during the year.
Note: Budget numbers and related variances may not add due to rounding.

Revenue for 2007–08 was $5.6 billion higher than the original plan set out in the 2007 Budget, as the economy outperformed the 2007 forecast.

The *Investing in Ontario Act, 2008* gives the government the ability to increase its investments when a surplus is greater than expected. This year, a higher-than-expected surplus gave the government the

opportunity to provide additional infrastructure funding to municipalities. Total expense was $96.5 billion, $5.4 billion above plan, including the additional infrastructure investment.

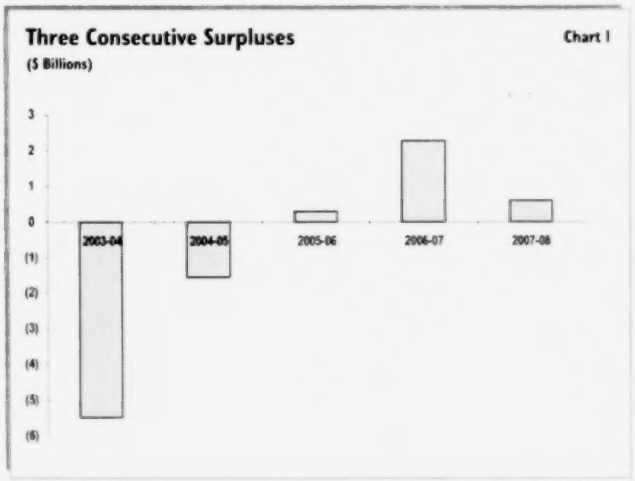
In total, the Province provided more than $3.5 billion to municipalities for infrastructure in 2007–08. These investments are evidence of a more collaborative and productive relationship between the Province and Ontario municipalities. Forming key partnerships to strengthen Ontario is another element of the government's five-point plan.

The five-point plan also stresses the need to invest in skills and knowledge and strengthen the environment for innovation. That is why additional investments in the 2007–08 fiscal year included increased funding for education and training, innovation, and business and economic development.

These and other investments over the past five years are achieving measurable results:

- Stronger public infrastructure and major transit improvements are allowing people and goods to move more swiftly and productively, reducing congestion, delays, greenhouse gases and other pollution.
- Strategic investments are helping Ontario to keep and create good jobs, and giving people the training they need to adapt to an ever-changing and ever-more competitive global economy.
- Children are now learning in smaller classes, test scores are up, and far more of Ontario's young people are finishing high school and going on to postsecondary education, training and apprenticeships. Schools, colleges and universities are benefiting from upgraded and more modern facilities.
- Ontario is moving to a culture of conservation and increasing the availability of clean, renewable sources of energy.
- More people have access to primary health care, and that care is being delivered in new, more effective ways. Wait times have been cut for all targeted medical procedures. The health care sector is more accountable, with a greater focus on local needs.

Ontario's families, as well as our economy, are enjoying the benefits of the government's investments in infrastructure, education and health care. These benefits are not just being felt today, but are also helping to ensure a stronger and more competitive economy in Ontario for years to come.



At the same time, the government's efforts of the past five years to improve financial management have provided a strong fiscal base. After inheriting a deficit of $5.5 billion for 2003–04, this government's three

consecutive surpluses have contributed a total of $3.2 billion towards reducing Ontario's accumulated deficit.

This improved fiscal position is particularly important as Ontario faces a more challenging global economy. New data since the end of the fiscal year show that the economy performed below expectations for the first quarter of 2008. Careful management of the fiscal plan will allow the government to focus on priorities. Diligence will be even more crucial as Ontario successfully addresses current challenges.

ANALYSIS OF 2007–08 RESULTS

This analysis compares the actual 2007–08 results to the plan presented in the Budget of March 22, 2007.

2007–08 Operating Results against Budget Plan **Table 2**
($ Billions)

	2007–08 Budget	2007–08 Actual	Change
Revenue			
Taxation	64.3	68.4	4.1
Government of Canada	16.1	16.6	0.5
Income from government business enterprises	4.0	4.4	0.4
Other non-tax revenue	7.1	7.7	0.6
Total Revenue	91.5	97.1	5.6
Expense			
Health	37.9	38.2	0.3
Education, postsecondary and training	18.6	19.1	0.5
Children's and social services	10.9	11.3	0.4
Other programs	14.6	19.0	4.4
Total Program Expense	82.0	87.6	5.6
Interest on debt	9.1	8.9	(0.2)
Total Expense	91.2	96.5	5.4
Surplus[1]	0.4	0.6	0.2

[1] A reserve of $750 million included in the Budget plan is not shown in the above results, as it was not needed during the year.
Note: Budget numbers and related variances may not add due to rounding.

Financial Management

Good financial management starts with a sound budget that sets out a realistic fiscal plan. The 2007 Budget set out the fiscal plan for 2007–08. In April 2007, the Province released Ontario's first *Pre-Election Report on Ontario's Finances,* in line with requirements of FTAA. The Auditor General reviewed the fiscal plan as presented in the report, as also required by FTAA, and found it to be reasonable.

Because any plan must be based on projections, Ontario's Budget in 2007, as in previous years, included a reserve against unforeseen adverse events. As well, its projection for economic growth was more cautious than the average of private-sector forecasts, providing an additional cushion against uncertainty. The Budget each year also sets out economic, financial market and other risks to the fiscal plan and shows their potential impact.

Government's ongoing financial management addresses risks, both positive and negative, as the fiscal year unfolds. In 2007, Ontario's economy weathered major unanticipated changes, including a weaker U.S. economic outlook, record oil prices and a stronger Canadian dollar.

The provincial economy proved to be resilient enough that by the fall of 2007, the Ministry of Finance projected Ontario's real gross domestic product (GDP) to grow by 1.9 per cent in 2007, ahead of the 1.6 per cent projected in the 2007 Budget. Growth in real GDP is now estimated at 2.2 per cent for the 2007 calendar year, contributing to higher-than-expected revenue from taxes and other sources in 2007–08. However, economic growth for the first quarter of 2008 was below expectations.

Because of continuing economic uncertainty, the Province decided in 2007–08 to invest a portion of the higher-than-forecast revenue in measures to improve Ontario's competitiveness. The Economic Outlook and Fiscal Review released in December 2007 outlined several major initiatives, including new investments and tax relief, to help create and keep good jobs in Ontario. The government announced more than $600 million in tax cuts for 2007–08, including:

- eliminating capital tax for manufacturing and resource activities and cutting capital tax rates by 21 per cent effective to January 1, 2007
- increasing the small business deduction threshold to $500,000 from $400,000, effective January 1, 2007
- expanding the Land Transfer Tax rebate for first-time homebuyers to include resale homes, as announced in the 2007 Economic Outlook and Fiscal Review.

These measures were based on the government's five-point plan for Ontario's economy. Investing in skills and knowledge, investing in infrastructure, lowering business costs, strengthening the environment for innovation and forming key partnerships are all elements of the plan.

The government made further investments in priority areas in the final quarter of the fiscal year. These are described in more detail in "Investments" below. A strengthened accountability framework introduced during the year helped to ensure that all proposed investments were subject to the same rigorous analysis and criteria as spending plans outlined in the Budget. New measures require recipients to report back on the use of the payments they received, and the framework includes provisions for independent audit, verification and the right to recover funds.

Support for infrastructure investment was enhanced with the passage of the new *Investing in Ontario Act, 2008*. The act permits the government to use part of any unanticipated year-end surpluses to address priority public needs through transfers to eligible recipients as defined in the act. Before the end of any fiscal year, the government can use its ability under the act to decide whether it would apply all of an unexpected surplus to reducing the accumulated deficit or whether a portion would go to eligible recipients. If the latter, it would then decide the basis for division of the funds, the potential recipients and the intended use. In line with the regulation for 2007–08, $1.1 billion was allocated under the act to municipalities for infrastructure needs.

After investing in these measures, the government recorded a surplus of $600 million, which was directed to reducing the Province's accumulated deficit.

Revenue

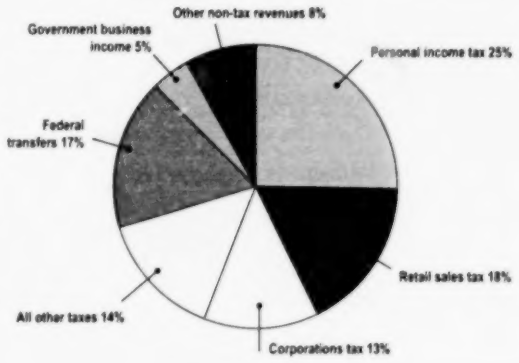
At $97.1 billion, total revenue for 2007–08 was $5.6 billion higher than forecast in the 2007 Budget, an increase of roughly six per cent from plan.

Ontario's economic growth for 2007, as measured by the increase in real GDP, is an estimated 2.2 per cent as opposed to the 1.6 per cent increase on which the 2007 Budget projection for revenue was based. Higher-than-expected economic growth was reflected in higher personal incomes, housing resales and retail sales, all of which had a positive impact on provincial revenue.

Corporations Tax revenue was $2.4 billion or roughly 22 per cent above plan, due mainly to robust final tax remittance payments from the financial sector in December 2007 and higher assessment payments for earlier years. Partially offsetting these gains was the impact of tax measures announced since the 2007 Budget. Corporations Tax is typically the most volatile of all major revenue sources. In 2006–07, for example, the average difference between forecast and actual revenue from this source was 24 per cent across other Canadian jurisdictions on an absolute basis, with some provinces experiencing growth below expectations.

Personal Income Tax revenue was $1.3 billion above forecast, mainly due to a higher 2006 revenue base and because employment and wages grew more strongly in 2007 than expected. The amount also includes a one-time increase of $424 million in 2007–08 relating to variances from past Public Accounts, and a $120 million payment from the federal government to correct past years' tax entitlements.

Revenue sources, 2007–08 Chart 2



Note: Total revenue in 2007–08 was $97.1 billion.

Stronger growth in employment and wages also boosted revenue from the Employer Health Tax, which was $55 million above plan, and increased Ontario Health Premium revenue by $75 million.

Land Transfer Tax revenue was $176 million above forecast, reflecting a record-breaking Ontario housing resale market in 2007. Higher consumer spending in general helped to increase Retail Sales Tax revenue by $294 million above plan. Tobacco Tax revenue was $90 million below forecast, reflecting a combination of healthier lifestyles and contraband activity in the cigarette market. Enforcement measures to combat illegal activity continue.

Revenues from all other taxes were $35 million below forecast, due largely to lower revenues from Electricity Payments-in-Lieu of Taxes, Gasoline Tax and Fuel Tax. These decreases were partially offset by other tax revenue increases, particularly a rise in Mining Profits Tax revenue as a result of a sharp increase in metal prices.

Other major revenue sources for the Province include transfer payments from the federal government, income from government business enterprises and a range of other non-tax items.

Federal transfers were $491 million higher in total than planned, owing largely to revised estimates of Ontario's Canada Health Transfer and Canada Social Transfer entitlements and to new transfers announced after the 2007 Ontario Budget was finalized.

Net income in government business enterprises was $451 million above plan. The net income of Ontario Power Generation Inc. (OPG) as consolidated in the Province's Statement of Operations was higher than planned, owing largely to a change in the accounting standards of the Canadian Institute of Chartered Accountants (CICA), affecting the valuation of Ontario Nuclear Funds Agreement (ONFA) investments. This change is explained in more detail in Note 10 to the Province's consolidated financial statements. Both the Ontario Lottery and Gaming Corporation and Liquor Control Board of Ontario recorded higher net income than projected. These gains were partially offset by lower-than-expected net income at Hydro One Inc., largely as a result of an Ontario Energy Board decision in August 2007 on the allowed rate of return on its transmission business.

Other non-tax revenue was $564 million above forecast, due largely to higher-than-forecast recoveries from transfer payment recipients of unspent amounts from previous years, consolidated sales and rentals, power sales, and other fees and licences.

Investments

The Province invested much of the unexpected additional revenue back into infrastructure to help Ontario's industries and communities.

Infrastructure investments

Ontario's ability to compete in the global economy and offer a high quality of life depends on reliable, modern public infrastructure. Such major asset systems as highways and public transit are critical to moving people and goods faster. Safe and affordable water and other services are important for families and businesses. That is why investing in infrastructure is part of Ontario's five-point economic plan.

Infrastructure investment, including both investment in the government's own assets and funds provided as transfer payments to municipalities, universities and other entities, was $4.0 billion higher than in the 2007 Budget plan.

Infrastructure Expenditures, 2007–08 **Table 3**
($ Billions)

	Investment in Capital Assets[1]	Transfers and Other[2]	2007–08 Actual Total	2007–08 Budget
Transportation and transit[3]	2.2	1.9	4.0	2.7
Health	0.7	0.3	0.9	0.9
Education, postsecondary and training	0.2	1.6	1.8	1.3
Municipal and other[4]	0.5	2.6	3.1	1.1
Totals	3.5	6.4	9.9	5.9

[1] The Province's capital investment in its own infrastructure and that of hospitals and colleges.

[2] These totals consist of transfers for capital purposes to municipalities and universities; expenditures for servicing capital-related debt of schools; expenditures for the repair and rehabilitation of schools; and other infrastructure expenditures. Transfers for capital-related purposes and other infrastructure expenditures are recorded as expenses in the Province's Consolidated Statement of Operations.

[3] Includes investments in provincial and municipal transportation infrastructure, such as highways, roads, bridges and transit.

[4] Includes water, wastewater and other environmental infrastructure; other municipal and local infrastructure; justice sector infrastructure; and other assets.

Note: Numbers may not add due to rounding.

Additional infrastructure and other investments were announced in the mid-year Economic Outlook and Fiscal Review, as well as in the 2008 Budget shortly before the end of the 2007–08 fiscal year. These included $450 million in funding for the Municipal Infrastructure Investment Initiative and an additional $100 million for municipalities to improve Ontario's stock of social housing. Investments in transportation, including municipal transit, roads and bridges, increased by $1.3 billion from plan.

Under the new *Investing in Ontario Act, 2008* and related regulation, the Province is providing an additional $1.1 billion to municipalities for capital purposes. These funds are being distributed to all municipalities in Ontario to help address priority infrastructure needs.

In total, the Province provided more than $3.5 billion in transfers for capital purposes to municipalities in 2007–08, roughly double the amount provided in 2006–07.

During the year, the Province invested a total of $3.5 billion in its own infrastructure and that of hospitals and colleges. These investments went to strengthening the provincial highway system, updating and improving hospitals, and providing better places to learn.

Other investments to support growth

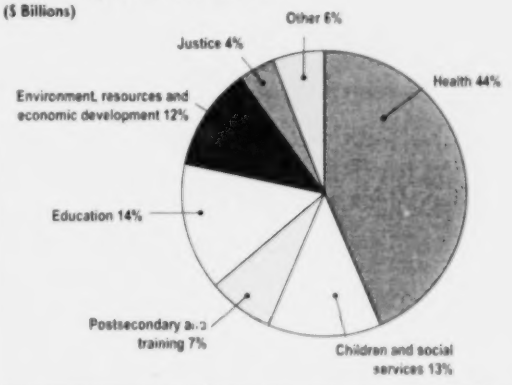
Investment in the postsecondary education and training sector increased by $627 million in 2007–08. This increase is related mainly to investments in Ontario's colleges and universities, including energy-efficiency improvements and campus renewal projects at postsecondary institutions, and strategic capital investments at colleges and universities.

Other steps taken to strengthen Ontario's industries in 2007–08 included:

- An increase of $190 million against plan for the agriculture sector, mainly for improved risk management and measures to make Ontario farmers more competitive.
- An increase of $92 million for culture and tourism, with investments in major attractions, festivals and marketing initiatives to attract new domestic and international visitors, as well as increased funding for libraries.
- An additional $122 million for economic and business development, mainly targeted to research and Ontario's manufacturing sector, and to help all Ontario firms reduce costs and improve competitiveness.
- An additional $63 million for strategic investments in research, innovation and commercialization initiatives, including the Ontario Institute for Cancer Research, digital media initiatives, the Institute for Quantum Computing and the Windsor Institute for Diagnostic Imaging.

Expense by Sector, 2007–08 Chart 3

($ Billions)



Note: Total program expense in 2007–08 was $87.6 billion. Including expense for interest on debt of $8.9 billion, total expense was $96.5 billion.

The government made several other funding decisions during 2007–08, including additional expenditures to ensure brighter futures for Ontario's children and help First Nations in the province fund their public services.

- A $350 million increase in 2007–08 for children's and social services included additional child care funding, as well as increases in funding for services for people with developmental disabilities and the Ontario Disability Support Program.
- In 2007–08, expense for the Ministry of Aboriginal Affairs increased by $206 million. Most of this was the result of implementing the new Ontario First Nations Gaming Revenue Sharing Financial Agreement during the year, and included amounts for 2007–08 and previous years covered by the agreement. The agreement provides an ongoing revenue source for Ontario First Nations to support health, education, community, economic and cultural development.
- Expense for the justice sector increased by $341 million in 2007–08, due mainly to a one-time provision for the backlog of cases in the Criminal Injuries Compensation Board, capital investments, and various justice initiatives and community safety enhancements.

Interest on debt was $209 million lower than the 2007 Budget plan, reflecting the impact of lower interest rates than forecast and the cost-effective management of the borrowing program. These savings are net of an adjustment of $107 million for impairment in the value of asset-backed commercial paper (ABCP) held by the Province through the Ontario Financing Authority (OFA). As a result of the freeze in the ABCP market, the OFA's Board of Directors reviewed and made recommendations to strengthen the agency's policies for investment of Provincial funds. The OFA has fully implemented these recommendations. Further details on the ABCP valuation adjustment are provided in Note 8 to the financial statements.

Impacts on Financial Position

Like a family buying a house or a company building a new plant, the Province borrows funds when it invests in major infrastructure assets. These investments create valuable, long-term assets that keep Ontario's economy strong and provide other benefits in future. Similar gains result when the Province borrows and then lends the money to municipalities and other public bodies to help them fund their own infrastructure. In 2007–08, borrowings to invest in the assets of government, municipalities, hospitals, school boards and colleges increased debt by $4.9 billion.

Financial assets such as loans to municipalities and non-financial assets like infrastructure all provide value for the Province over the long term. For that reason, these assets are an important part of the Province's financial position and provide an offset against the Province's total liabilities, including debt. The net difference gives a measure of financial health called the accumulated deficit. In 2007–08, for the third consecutive year, the Province's assets increased by more than its debt and other liabilities, so that the accumulated deficit went down. The Province's investment in its own infrastructure and that of hospitals and colleges increased by $3.5 billion for the year, while loans to municipalities, school boards and other public bodies rose by $1.7 billion. Combined with other changes to assets, and taking into account the smaller increase in total liabilities, the net result was a decrease of $1.2 billion in the accumulated deficit from the previous year.

The Province's operating surplus for the year accounted for $600 million of the decrease. The rest was due to a change in CICA accounting standards on financial instruments that affected valuation of the

ONFA funds. These funds, which are intended to cover the long-term future costs of nuclear fuel disposal and facility decommissioning, were valued at $9.3 billion on March 31, 2008.

The change in CICA standards, which was effective in 2007, had an impact on OPG's accounting for the ONFA funds. Because the Province consolidates OPG, this also affected the Province's consolidated financial statements, which now reflect the fair market value of the ONFA funds. As a result, the Province adjusted the value of the ONFA assets in its statement of financial position starting this year. The value increased as of April 1, 2007, by $1.5 billion to reflect unrealized increases in the fair market value at that point in time. As at March 31, 2008, the value of these assets was reduced by $935 million to reflect the unrealized decrease in fair market value at the end of the fiscal year.

The net result of these accounting changes was a decrease of $559 million in the accumulated deficit. This ONFA accounting adjustment, together with the operating surplus of $600 million, reduced the accumulated deficit of the Province by $1.2 billion in total.

RESULTS FROM OUR INVESTMENTS

The investments of the past five years are paying off in better lives and brighter futures for people in Ontario, especially in the priority areas of jobs and prosperity, success for students, and better health. Better financial management has allowed these achievements to take place while also ensuring the Province a stronger fiscal position. This section looks at results in all these areas from 2002–03 to 2007–08 where comparisons are possible, and otherwise from the earliest available baseline information.

Jobs and Prosperity

Creating and keeping good jobs depends on a high-skilled and adaptable workforce; strategic investments in economic opportunities, good roads, highways and public transit; and reliable and affordable energy. Combined with livable communities and a business-friendly climate, these factors boost the potential for economic growth.

- Increased investment in colleges, universities and training is helping to ensure that the next generation of Ontario workers will be better educated than ever before, and ready to meet the challenges of a more demanding marketplace.
    - Full-time enrolment in postsecondary education has increased by close to 100,000 over the past five years, from 394,000 to 480,000. This puts enrolment well on the way to the target of 488,000 by 2008–09.
    - More people are getting skills and apprenticeship training. In 2007–08, new apprenticeship registrations achieved the target of 26,000, up from 19,000 in 2004–05.
- To support a more competitive business environment, the government accelerated cuts to the capital tax for all corporations and increased tax support for film and television productions, small businesses and innovation. During 2007–08, the Province began cutting Business Education Tax rates as announced in the 2007 Budget, and in the 2008 Budget announced an acceleration for northern businesses. In May 2007, it set up a secretariat to look at ways of modernizing the provincial regulatory regime to reduce compliance costs for businesses while protecting the public interest.
- To help meet specific labour-market needs more quickly, the government is helping newcomers to Ontario succeed in finding jobs in their field. For the 2007–08 academic year, 219 international medical graduates were offered new training and assessment positions, exceeding the target of 200. The first Fairness Commissioner, created under the *Fair Access to Regulated Professions Act*, took office in April 2007. The act, the first of its kind in Canada, requires regulated professions in Ontario to adopt registration practices that are fair, transparent and timely.
- Government action is ensuring that people and businesses have access to reliable, clean, affordable energy. Since October 2003, close to 3,400 megawatts (MW) of new electricity supply has come on line, including more than 500 MW from renewable sources. Roughly 2,100 MW of renewable supply projects were under way by the end of the 2007–08 fiscal year, well on the way to meeting a target of 2,700 MW of installed renewable capacity by 2010. Ontario's electricity

consumers achieved a target to reduce peak electricity demand by 1,350 MW, or five per cent of projected demand, by the end of 2007.

- Investments in public transit, funded by the MoveOntario 2020 program and an ongoing allocation of two cents a litre of gasoline tax to municipalities, are paying off with higher ridership. From a starting point of 610 million public transit trips in large urban centres in 2003–04, the target of 697 million by 2007–08 was exceeded, with 703 million trips taken. For GO Transit, the provincially owned commuter system, the total of 51.6 million trips in 2007–08 surpassed the target of 49.7 million for the year and was substantially up from the baseline of 42.5 million five years earlier.

- A record $1.4 billion has been spent in the last four years to improve highway safety in the north. Investing in Ontario's northern highways means travellers have expanded routes and safer roads.

- The Growth Plan for the Greater Golden Horseshoe Area, the first plan developed under the *Places to Grow Act, 2005*, won several awards in 2007. As well as gaining provincial and national recognition, it was the first-ever non-American recipient of a major award presented by the American Planning Association, which described it as "both visionary and pragmatic."

Success for Students

Additional funding and significant increases in spending per pupil have allowed Ontario to reduce class sizes, improve test results and ensure more young people graduate from high school.

- In 2007–08, 88 per cent of all primary students were in classes of 20 or fewer, up from just 31 per cent in 2003–04. Virtually all were in classes of 23 or fewer, up from 64 per cent in 2003–04.

- Students in Grades 3 and 6 are doing better at reading, writing and math. The most recent results, for 2006–07, show that 65 per cent of Grade 3 students are at or above the provincial standard overall, up from 54 per cent in 2002–03. Among Grade 6 students, 61 per cent are at or above the provincial standard, up from 54 per cent in 2002–03 and moving towards the target of 75 per cent by 2008–09.

- The high school graduation rate increased to 75 per cent in 2006–07 from 68 per cent in 2003–04, making progress towards a target of 85 per cent by 2010–11.

Better Health

As a result of increased funding and restructuring efforts, people in Ontario are today waiting much less time for key services, enjoying better access to health care professionals, and benefiting from a more effective system with greater local accountability.

- Wait times are down for targeted health procedures, in many cases by a significant amount. Targeted procedures for lower wait times include cataract surgeries, angiography, angioplasty, knee and hip replacements, CT and MRI scans, and cancer surgeries. Improvements to these procedures have been tracked since 2003–04. More recently, wait times for pediatric surgeries have been targeted and successfully reduced as well. Detailed information on wait times by region and medical procedure is regularly updated at www.ontariowaittimes.com.

- More than 180,000 patients have chosen to receive their primary health care through the Province's newly formed family health teams, in which family doctors, nurses, nurse practitioners and other health professionals work in partnership. As well as improving access, these teams increase the effectiveness of primary health care.

- The government is increasing the number of doctors, nurses and nurse practitioners available to help patients.

    - In September 2005, the government began a 23 per cent increase in first-year medical school enrolment. In 2007–08, it funded 829 first-year undergraduate medical positions across the province's six medical schools. For the 2007–08 academic year, Ontario offered 760 residency positions, an increase of 58 new specialty training positions over those offered in 2006.

    - To support nurse practitioners, who are registered nurses with advanced university education, the government funded 150 education seats in 2007–08, double the number three years earlier.

    - A new Nursing Graduate Guarantee, an enhancement of an earlier program, helps to ensure that new nursing graduates have the opportunity to work full-time for up to 7.5 months. Since 2004, the government has funded the creation of more than 8,000 new nursing positions. In 2007–08, funds were also provided to create 1,200 new registered nursing positions in long-term care homes.

- Local Health Integration Networks (LHINs), created in 2006, continued to develop their role of overseeing and coordinating health care resources at the local level. All of them met the reporting and financial obligations of their accountability agreements in 2007–08.

- Efforts to encourage people in Ontario to enjoy healthier lifestyles — a proven factor in the prevention and management of disease — are realizing real results. Registrations in organized sports in Ontario rose from 2.0 million in 2003–04 to 2.41 million in 2007–08, just above the 2.4 million target.

Improved Management

The Province has achieved these results while meeting another of its commitments: strengthening its financial management. Its efforts have focused on creating a sustainable and flexible fiscal plan, ensuring greater accountability for the use of public resources, and making government more efficient.

A sustainable plan

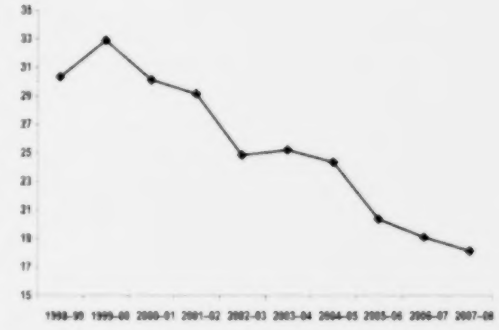
The government committed in 2003 to returning Ontario's fiscal plans to a sustainable path. The prudent approach of the past five years has achieved that goal, as the Province has recorded surpluses for the past three years, eliminating the deficit ahead of schedule.

A fiscal plan is sustainable when revenues can accommodate the expected growth in expenses over time. Many expenses for government arise from important public needs that must be met on an ongoing basis, such as health care, social programs and education. The government's actions have strengthened financial management by relying on only those revenues known to be sustainable to fund major ongoing public needs.

The result of this commitment to a more sustainable fiscal plan has been a decline in the ratio of accumulated deficit to Ontario GDP. This is an important measure of Ontario's fiscal and economic health, as it shows the impact of both greater economic activity and the government's fiscal position. The ratio has moved downward over the past several years, as Chart 4 shows.

Accumulated Deficit to Ontario GDP Chart 4

Per Cent

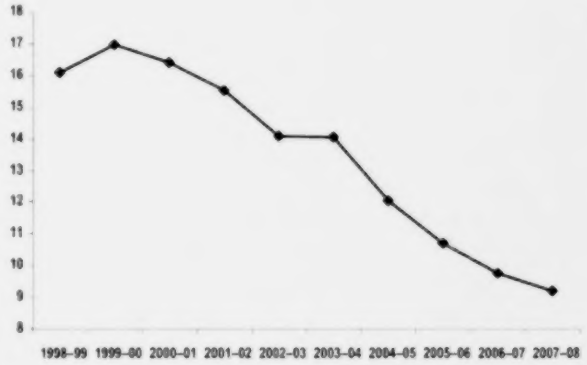


Note: The sharp drop in 2005–06 was due mainly to a one-time reduction of $16.3 billion in the accumulated deficit as a result of consolidating the net assets of hospitals, colleges and school boards in the Province's financial statements for the first time.

Another useful measure of the sustainability of a fiscal plan is the ratio of interest expense to government revenue. It shows how much of the government's revenues must be allocated each year to servicing its debt. Chart 5 shows how Ontario's interest expense as a share of total revenue has changed over the past 10 years.

Interest Expense as a Share of Provincial Revenue Chart 5

Per Cent



Greater fiscal flexibility

The results expected in the fiscal plan are based on the best information available at the time the Budget is prepared. However, plans are always subject to economic and program risks. The final surplus or deficit as reported in the Public Accounts depends on information on tax revenue and other items that in some cases is not available until months after the end of the fiscal year. These uncertainties, which all governments face, can result in unanticipated surpluses or deficits.

The recent passage of the *Investing in Ontario Act, 2008* and related regulation allows the government to use unanticipated year-end surpluses to address priority public needs as well as to reduce the accumulated financial deficit. Previously, the government had no choice but to use the entire amount of any unanticipated surplus for accumulated deficit reduction. With this change, the government gains greater flexibility to make the best use possible of unexpected surpluses. In 2007–08, for example, it allocated $1.1 billion to Ontario municipalities for infrastructure needs.

Stronger accountability

In April 2007, the government released the first-ever *Pre-Election Report on Ontario's Finances.* Designed to inform Ontarians and political parties about the Province's fiscal outlook before the provincial election, it was the first of its kind in Canada and among the first in the world. In his review of the report, the Province's Auditor General stated that "we found the government's pre-election report to be an informative document that provided extensive information about Ontario's expected fiscal situation over the next three years (2007/08 to 2009/10)." The Pre-Election Report is available at www.fin.gov.on.ca/english/publications/2007/pre-electionreport/PEReport.html.

The government provided more than $70 billion in transfer payments in 2007–08 to individuals and organizations in Ontario. In August 2007, the government introduced a new transfer payment accountability directive to provide stronger assurance that these public funds are being spent by organizations for their intended purposes. This directive applies to transfers made throughout the year.

Accountability was also strengthened through the recent expansion of the mandate of the Auditor General to allow value-for-money audits of organizations receiving transfer payments, such as hospitals, school boards and universities.

Setting goals and reporting on results are important elements of accountability. The government is using technology to make it easier to view the plans and results of its ministries, through a single web portal at http://www.fin.gov.on.ca/english/about/rbplanning.

More efficient government

Starting in 2004, as part of its continuing commitment to increased efficiency, the government found ways of reducing its costs to provide savings of more than $800 million a year by 2007. Initiatives focused on such activities as streamlining purchasing, improving the use of technology, and absorbing cost increases through program reviews. These savings have been reinvested in priority sectors such as education and health care.

As a result of these and other factors, Ontario is now the second lowest among provinces in terms of per-capita spending on administration.

In addition, through its innovative OntarioBuys program, the government is helping hospitals, universities, colleges and other institutions save money by streamlining their purchasing practices.

2008 BUDGET INTERIM ESTIMATES

The Province provided interim estimates of results for 2007–08 in the 2008 Budget, tabled in March of this year. The final surplus of $0.6 billion reported for the year is unchanged from the interim estimate. Certain revenue and expense items changed, however.

When the 2008 Budget was finalized, the estimate of total revenue was $5.1 billion higher than in the 2007 Budget plan. The final results show a further increase of $0.5 billion, or 0.6 per cent, from plan, reflecting new information not available at the time of the 2008 Budget. The major sources of the change were a net increase of $110 million in tax revenues, higher net income from OPG relating to the Ontario Nuclear Funds Agreement discussed in Note 10 to the statements, and a gain of $382 million from interim estimates of other non-tax revenue. These increases were partially offset by lower federal transfers than reported at interim, due mainly to the timing of recording of a portion of a federal payment related to corporate tax harmonization.

Comparison of 2007–08 Interim and Actual Results **Table 4**
($ Billions)

	2007–08 Interim	2007–08 Actual	Change
Revenue			
Taxation	68.3	68.4	0.1
Government of Canada	16.9	16.6	(0.3)
Income from government business enterprises	4.1	4.4	0.3
Other	7.3	7.7	0.4
Total Revenue	96.6	97.1	0.5
Expense			
Programs	87.0	87.6	0.6
Interest on debt	9.0	8.9	(0.1)
Total Expense	96.0	96.5	0.5
Annual Surplus[1]	0.6	0.6	-

[1] A reserve of $750 million included in the Budget plan is not shown in the above results, as it was not needed during the year.
Note: Interim numbers and related variances may not add due to rounding.

Total expense was also higher in final results than the interim estimate. The major source of the increase was the $1.1 billion in infrastructure investment funding provided to municipalities under the *Investing in Ontario Act, 2008,* the amount of which was determined as the Public Accounts were finalized. This increase was partially offset by decreases in program spending and interest on debt between interim and final. The net result was an increase of $0.5 billion in total expense.

CONSOLIDATED FINANCIAL STATEMENTS

Auditor's Report

To the Legislative Assembly of the
Province of Ontario

I have audited the consolidated statement of financial position of the Province of Ontario as at March 31, 2008 and the consolidated statements of operations, change in net debt, change in accumulated deficit, and cash flow for the year then ended. These financial statements are the responsibility of the Government of Ontario. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit also includes assessing the accounting principles used and significant estimates made by the Government, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Province as at March 31, 2008 and the results of its operations, the changes in its net debt, the changes in its accumulated deficit, and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Jim McCarter, CA
Auditor General
Licensed Public Accountant

Toronto, Ontario
August 1, 2008

Province of Ontario

Consolidated Statement of Operations

($ Millions)	2007–08 Budget[1]	2007–08 Actual	2006–07 Actual
Revenues *(Schedules 1 and 2)*			
Personal Income Tax	23,285	**24,538**	23,655
Retail Sales Tax	16,682	**16,976**	16,228
Corporations Tax	10,605	**12,990**	10,845
Employer Health Tax	4,550	**4,605**	4,371
Gasoline and Fuel Taxes	3,142	**3,093**	3,033
Ontario Health Premium	2,638	**2,713**	2,589
Other Taxes	3,417	**3,517**	3,589
Total Taxation	64,319	**68,432**	64,310
Transfers from Government of Canada	16,106	**16,597**	14,036
Income from Investment in Government Business Enterprises *(Schedule 9)*	3,986	**4,437**	4,196
Other	7,092	**7,656**	7,855
	91,503	**97,122**	90,397
Expenses *(Schedules 3 and 4)*			
Health	37,925	**38,168**	35,698
Education	12,775	**12,618**	12,058
Children's and Social Services	10,915	**11,265**	10,442
Environment, Resources and Economic Development	6,760	**10,298**	7,629
Post-Secondary Education and Training	5,855	**6,482**	5,383
Justice	3,314	**3,655**	3,224
General Government and Other	4,486	**5,122**	4,863
Interest on Debt	9,123	**8,914**	8,831
	91,153	**96,522**	88,128
Reserve	750		
Annual Surplus (Deficit)	(400)	**600**	2,269

See accompanying Notes and Schedules to the Financial Statements.

[1] Amounts reported as "Plan" in 2007 Budget.

Province of Ontario

Consolidated Statement of Financial Position

As at March 31 ($ Millions)		2008		2007
Liabilities				
Accounts Payable and Accrued Liabilities *(Schedule 5)*		15,344		12,463
Debt *(Note 2)*	162,056		156,993	
Unamortized Foreign Exchange Gains	161		318	
		162,217		157,311
Power Purchase Contracts *(Note 4)*		2,579		2,977
Pensions and Other Employee Future Benefits *(Note 5)*		1,024		1,398
Other Liabilities *(Note 6)*		4,599		4,395
		185,763		178,544
Financial Assets				
Cash and Cash Equivalents		4,001		4,329
Temporary Investments *(Note 7)*		4,143		2,293
Accounts Receivable *(Schedule 6)*		8,358		7,853
Loans Receivable *(Schedule 7)*		9,069		7,378
Other Assets *(Note 8)*		2,068		1,610
Investment in Government Business Enterprises *(Schedule 9)*		15,706		13,981
		43,345		37,444
Net Debt		(142,418)		(141,100)
Non-Financial Assets				
Tangible Capital Assets *(Note 9)*		19,112		17,245
Net Assets of Broader Public Sector Organizations *(Schedule 10)*		17,689		17,079
		36,801		34,324
Accumulated Deficit		(105,617)		(106,776)

Contingent Liabilities (Note 11) and Contractual Obligations (Note 12)

See accompanying Notes and Schedules to the Financial Statements.

Province of Ontario

Consolidated Statement of Change in Net Debt

For the year ended March 31 ($ Millions)		2008		2007
Annual Surplus		600		2,269
Acquisition of Tangible Capital Assets	(2,748)		(2,120)	
Amortization of Tangible Capital Assets *(Note 9)*	880		838	
Proceeds on Sale of Tangible Capital Assets	9		20	
Loss (Gain) on Sale of Tangible Capital Assets	(8)		51	
Increase in Net Assets of Broader Public Sector Organizations *(Schedule 10)*	(610)		(340)	
		(2,477)		(1,551)
Decrease in Fair Value of Ontario Nuclear Funds *(Note 10)*		(935)		-
Decrease (Increase) in Net Debt		(2,812)		718
Net Debt at Beginning of Year		(141,100)		(141,928)
Increase in Fair Value of Ontario Nuclear Funds at Beginning of Year *(Note 10)*		1,494		-
Less: Ontario Electricity Financial Corporation Unfunded Liability Adjustment at Beginning of Year *(Note 4)*		-		110
Restated Net Debt at Beginning of Year		(139,606)		(141,818)
Net Debt at End of Year		(142,418)		(141,100)

See accompanying Notes and Schedules to the Financial Statements.

Province of Ontario

Consolidated Statement of Change in Accumulated Deficit

For the year ended March 31 ($ Millions)	2008	2007
Accumulated Deficit at Beginning of Year	**(106,776)**	(109,155)
Increase in Fair Value of Ontario Nuclear Funds at Beginning of Year *(Note 10)*	**1,494**	-
Less: Ontario Electricity Financial Corporation Working Capital Adjustment at Beginning of Year *(Note 4)*	-	110
Restated Accumulated Deficit at Beginning of Year	**(105,282)**	(109,045)
Annual Surplus	**600**	2,269
Decrease in Fair Value of Ontario Nuclear Funds *(Note 10)*	**(935)**	-
Accumulated Deficit at End of Year	**(105,617)**	(106,776)

See accompanying Notes and Schedules to the Financial Statements.

Province of Ontario

Consolidated Statement of Cash Flow

For the year ended March 31 ($ Millions)	2008	2007
Operating Transactions		
Annual Surplus	**600**	2,269
Amortization of Tangible Capital Assets *(Note 9)*	**880**	838
Loss (Gain) on Sale of Tangible Capital Assets	**(8)**	51
Income from Investment in Government Business Enterprises *(Schedule 9)*	**(4,437)**	(4,196)
Remittances from Government Business Enterprises *(Schedule 9)*	**3,271**	3,385
Decrease in Liability for Pensions and Other Employee Future Benefits *(Note 5)*	**(374)**	(288)
Decrease in Power Purchase Contracts *(Note 4)*	**(398)**	(412)
Increase (Decrease) in Accounts Payable and Accrued Liabilities *(Schedule 5)*	**2,881**	(743)
Decrease in Other Items	**(2,450)**	(1,247)
Cash Applied to Operating Transactions	**(35)**	(343)
Capital Transactions		
Acquisition of Tangible Capital Assets	**(2,748)**	(2,120)
Proceeds from Sale of Tangible Capital Assets	**9**	20
Increase in Net Assets of Broader Public Sector Organizations *(Schedule 10)*	**(610)**	(340)
Cash Applied to Capital Transactions	**(3,349)**	(2,440)
Investing Transactions		
Decrease (Increase) in Temporary Investments *(Note 7)*	**(1,850)**	686
Cash Provided by (Applied to) Investing Transactions	**(1,850)**	686
Financing Transactions		
Debt Issued	**20,761**	19,210
Debt Retired	**(15,855)**	(17,231)
Cash Provided by Financing Transactions	**4,906**	1,979
Net Decrease in Cash and Cash Equivalents	**(328)**	(118)
Cash and Cash Equivalents at Beginning of Year	**4,329**	4,447
Cash and Cash Equivalents at End of Year	**4,001**	4,329

See accompanying Notes and Schedules to the Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(ALL TABLES IN MILLIONS OF DOLLARS)

1. Summary of Significant Accounting Policies

Basis of Accounting

The Consolidated Financial Statements are prepared in accordance with the accounting principles for governments recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA) and, where applicable, the recommendations of the Accounting Standards Board (AcSB) of the CICA.

Reporting Entity

These financial statements report the activities of the Consolidated Revenue Fund combined with those organizations that are controlled by the government.

Public hospitals, specialty psychiatric hospitals, school boards and colleges, collectively referred to as the "Broader Public Sector (BPS) organizations," are consolidated on a sector basis in these financial statements.

Government business enterprises and other organizations that are controlled by the Province are individually consolidated provided they meet one of the following criteria: i) their revenues, expenses, assets or liabilities are greater than $50 million, or ii) their outside sources of revenues, deficit or surplus are greater than $10 million. A listing of these organizations is provided in Schedule 8.

The activities of organizations that do not meet the materiality thresholds are reflected in these financial statements through the accounts of the ministries responsible for them. Trusts administered by the government on behalf of other parties are excluded from the reporting entity but are disclosed in Note 13.

Principles of Consolidation

Government organizations, except for government business enterprises and broader public sector organizations, are consolidated on a line-by-line basis with the Consolidated Revenue Fund in these financial statements. Where necessary, adjustments are made to present the accounts of these organizations on a basis consistent with the accounting policies described below, and to eliminate significant inter-organizational accounts and transactions.

Government business enterprises are defined as those government organizations that i) are separate legal entities with the power to contract in their own name and that can sue and be sued; ii) have the financial and operating authority to carry on a business; iii) have as their principal activity and source of revenue the selling of goods and services to individuals and non-government organizations; and iv) are able to maintain their operations and meet their obligations from revenues generated outside the government reporting entity. The activities of government business enterprises are recorded in the financial statements using the modified equity method. Under this method, government business enterprises are reported in accordance with the accounting principles

generally accepted for business enterprises. Their combined net assets are included in the financial statements as Investment in Government Business Enterprises on the Consolidated Statement of Financial Position and their combined net income is shown as a separate item, Income from Investment in Government Business Enterprises, on the Consolidated Statement of Operations.

Broader Public Sector (BPS) organizations are recorded in the financial statements using the equity method. Under the equity method or "one-line" basis, BPS organizations are reported in accordance with the accounting principles generally accepted for governments. Significant gains and losses resulting from inter-organizational transactions occurring from within the government reporting entity are eliminated upon consolidation. Their combined net assets are included in the financial statements as Net Assets of Broader Public Sector Organizations on the Consolidated Statement of Financial Position. Their combined net expenses, that is, the total annual expenses of all BPS organizations net of revenues they receive from sources other than the Province, are included in Expenses on the Consolidated Statement of Operations. The combined net expenses of hospitals are included with Health expenses, school board net expenses are included with Education expenses, and college net expenses are included in Postsecondary Education and Training expenses in the Consolidated Statement of Operations.

Government business enterprises and other government organizations not meeting the materiality thresholds set out in the Reporting Entity section of this note, are reflected in these financial statements through the accounts of the ministries responsible for them.

Measurement Uncertainty

Uncertainty in the determination of the amount at which an item is recognized or disclosed in the financial statements is known as measurement uncertainty. Such uncertainty exists when there could be a material variance between the recognized or disclosed amount and another reasonably possible amount.

Measurement uncertainty in these financial statements and notes thereto exists in the valuation of the power purchase contracts, the accruals for pensions and other employee future benefits obligations, the value of tangible capital assets, the accruals for personal income and corporations tax revenues, the valuation of the health transfers and Canada social transfer entitlements and the valuation of the Canadian third party asset-backed commercial paper.

Uncertainty in the valuation of the power purchase contracts arises from fluctuations in market prices that would affect this liability. The uncertainty related to pensions and other employee future benefits accruals arises because actual results may differ significantly from the Province's best estimate of expected results (for example, the difference between actual results and actuarial assumptions regarding return on investment of pension fund assets and health care cost trend rates for retiree benefits). Uncertainty in the value of tangible capital assets exists because of differences between estimated useful lives of the assets and their actual useful lives. Uncertainty related to the accrual for personal tax and corporations tax revenues arises due to possible subsequent revisions of estimates based on forthcoming information from past year tax return processing. Uncertainty in the estimation of the Canada Health Transfer and Canada Social Transfer entitlements arises from variances between the estimated and actual Ontario shares of the Canada-wide personal income and corporation tax base and population.

The uncertainties relating to the valuation of the Canadian third party asset-backed commercial paper are detailed in Note 8 to these financial statements.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available.

Revenues

Revenues are recognized in the fiscal year that the events giving rise to the revenues occur and they are earned. Amounts received prior to the end of the year, which relate to revenues that will be earned in a subsequent fiscal year, are deferred and reported as liabilities.

Expenses

Expenses are recognized in the fiscal year that the events giving rise to the expense occur and resources are consumed. Expenses include:

- accounts payable accruals
- transfer payments
- interest accruing on debt
- pension and other employee future benefits
- the amortization of tangible capital assets
- net expenses of hospitals, school boards and colleges.

Transfer payments are recognized in the year during which the events giving rise to them occur, provided that the transfer is authorized, all eligibility criteria are met and a reasonable estimate of the amount can be made.

Interest on Debt includes the following: i) interest on outstanding debt net of interest income on investments and loans; ii) amortization of foreign exchange gains or losses; iii) amortization of debt discounts, premiums and commissions; iv) amortization of deferred hedging gains and losses; and v) servicing and other costs.

Employee future benefits such as pensions, other retirement benefits and entitlements upon termination are recognized as expenses over the years in which the benefits are earned by employees. These expenses are the government's share of the current year's cost of benefits, interest on the net benefits liability or asset, amortization of actuarial gains or losses, cost of or gain on plan amendment, and other adjustments.

Other employee future benefits are recognized in the period when the event that obligates the government occurs or in the period when the benefits are earned and accumulated by employees.

The costs of buildings and transportation infrastructure owned by the Province are amortized and recognized as expenses over their estimated useful lives on a straight-line basis. Amortization of tangible capital assets owned by government organizations consolidated in these financial statements is also included in expenses.

The Province is phasing in the implementation of PSAB recommendations on tangible capital assets. Consequently, the costs of acquisition of other tangible capital assets owned by the Province, such as furniture and vehicles, are recorded as expenses. Also, for significant capital leases entered into by the Province, an amount equal to the present value of the minimum lease payments required over the term of the lease is recorded as an expense at the inception of the lease, with an offsetting liability recorded for the lease obligation.

Liabilities

Liabilities are recorded to the extent that they represent present obligations of the government to outside parties as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in the sacrifice of economic benefits in the future.

Liabilities include present obligations for environmental costs, probable losses on loan guarantees issued by the government, and contingencies when it is likely that a loss will be realized and the amount can be reasonably determined.

Liabilities also include obligations to government business enterprises.

Debt

Debt consists of treasury bills, commercial paper, medium and long-term notes, savings bonds, debentures and loans.

Debt denominated in foreign currencies that has been hedged is recorded at the Canadian dollar equivalent using the rates of exchange established by the terms of the hedge agreements. Other foreign currency denominated debt, liabilities and assets are translated to Canadian dollars at year-end rates of exchange and any exchange gains or losses are amortized over the remaining term to maturity.

The Province uses derivative financial instruments (derivatives) for the purposes of minimizing interest costs and managing risk. The Province does not use derivatives for speculative purposes. Derivatives are financial contracts, the value of which is derived from underlying instruments. Gains or losses arising from derivative transactions are deferred and amortized over the remaining life of the related debt issue.

Pensions and Other Employee Future Benefits

The liabilities for pensions and other employee future benefits are calculated on an actuarial basis using the government's best estimates of future inflation rates, investment returns, employee salary levels and other underlying assumptions, and, where applicable, the government's borrowing rate. When actual plan experience of pensions, other retirement benefits and termination pay differs from that expected, or when assumptions are revised, actuarial gains and losses arise. These gains and losses are amortized over the expected average remaining service life of plan members.

The liabilities for selected employee future benefits (such as pensions, other retirement benefits and termination pay) represent the government's share of the actuarial present values of benefits attributed to services rendered by employees and former employees, less its share of the assets of the plans. In addition, the liability in cludes the Province's share of the unamortized balance of

actuarial gains or losses, and other adjustments primarily for differences between the fiscal year-end of the pension plans and that of the Province.

Assets

Assets are resources controlled by the government from which it will derive future benefits. Assets are recognized in the year the events giving rise to the government's control of the benefit occur.

Financial Assets

Financial assets are resources that can be used to discharge existing liabilities or finance future operations. They include cash, temporary investments, accounts receivable, loans receivable, advances, and investments in government business enterprises.

Temporary investments are recorded at the lower of cost or fair value.

Accounts receivables are recorded at cost. A valuation allowance is recorded when collection of the receivable is considered doubtful.

Loans receivable with significant concessionary terms are considered in part as grants and are recorded on the date of issuance at face value discounted by the amount of the grant portion. The grant portion is recognized as an expense at the date of issuance of the loan. The amount of the loan discount is amortized to revenue over the term of the loan. Loans receivable include amounts owing from government business enterprises.

Investment in government business enterprises represents the net assets of government business enterprises recorded on the modified equity basis as described under Principles of Consolidation.

Net Assets of Broader Public Sector Organizations

The net assets of the broader public sector (BPS) organizations consist of tangible capital and financial assets of BPS organizations net of their liabilities. Although the assets of BPS organizations are consolidated, they are owned, managed and operated by BPS organizations. Tangible capital assets of hospitals and colleges are recorded at historical cost in their financial statements. Interest incurred during construction of major projects is capitalized and included in historical cost when specific project financing is provided. Although school boards do not presently record tangible capital assets in their financial statements, an adjustment is made upon consolidation to record the estimated historical cost of their land and building assets in the Province's consolidated financial statements.

Tangible Capital Assets

Tangible capital assets are recorded at historical cost less accumulated amortization. Historical cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of tangible capital assets. Cost includes overheads directly attributable to construction and development but excludes interest. Estimated historical cost was used to record existing tangible capital assets if actual cost was unknown when the Province first implemented tangible capital assets accounting. Tangible capital assets, except land, are amortized over the estimated useful lives of the assets on a straight-line basis.

As the Province is phasing in the implementation of PSAB recommendations on provincially owned tangible capital assets, the following categories are included under tangible capital assets and recorded at historical cost: land, buildings and transportation infrastructure owned by the Province; and all tangible capital assets owned by government organizations that are consolidated in these financial statements. The remaining other tangible capital assets, including leased assets, computers, equipment, vehicles and furniture, are expensed as acquired. The Province intends to apply PSAB's recommendations on the remaining other tangible capital assets in 2009–10.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a tangible capital asset are capitalized. External contributions for acquisition of tangible capital assets are recorded as deferred revenue and amortized on the same basis as the related tangible capital assets.

2. Debt

The Province borrows in both domestic and international markets. Debt of $162.1 billion, as at March 31, 2008 (2007, $157.0 billion), is composed mainly of bonds and debentures issued in both the short and long-term public capital markets and non-public debt held by certain federal and provincial public sector pension plans. Debt comprises Debt Issued for Provincial Purposes of $133.9 billion (2007, $129.3 billion) and Ontario Electricity Financial Corporation (OEFC) debt of $28.3 billion (2007, $28.0 billion). The table on page 40 presents the maturity schedule of the Province's outstanding debt, by currency of repayment, expressed in Canadian dollars, and reflects the effects of related derivative contracts.

Debt **As at March 31**						**2008**	2007
Currency	**Canadian Dollar**	**U.S. Dollar**	**Japanese Yen**	**Euro[1]**	**Other Currency[2]**	**Total**	Total
Maturing in:							
2008							$19,222
2009	$21,314	4,661	-	795	265	**$27,035**	20,556
2010	9,016	1,629	738	1,443	870	**13,696**	13,720
2011	9,277	1,509	-	-	252	**11,038**	6,438
2012	6,169	1,136	-	-	47	**7,352**	7,127
2013	7,925	3,274	-	-	118	**11,317**	-
1-5 years	53,701	12,209	738	2,238	1,552	**70,438**	67,063
6-10 years	22,667	4,865	103	1,188	1,847	**30,670**	33,812
11-15 years	9,037	-	-	-	-	**9,037**	6,424
16-20 years	14,710	-	-	-	-	**14,710**	12,300
21-25 years	13,469	-	-	-	-	**13,469**	13,606
26-40[3] years	23,732	-	-	-	-	**23,732**	23,788
	$137,316	17,074	841	3,426	3,399	**$162,056**	$156,993
Unamortized Foreign Exchange Gains/(Losses)	-	119	44	-	(2)	**161**	318
Total[4, 5]	**$137,316**	**17,193**	**885**	**3,426**	**3,397**	**162,217**	157,311
Debt Issued for Provincial Purposes[6]	**111,962**	**15,136**	**885**	**3,426**	**2,471**	**133,880**	129,308
OEFC Debt	**25,354**	**2,057**	**-**	**-**	**926**	**28,337**	28,003
Total[4, 5]	**$137,316**	**17,193**	**885**	**3,426**	**3,397**	**$162,217**	$157,311
Effective Interest Rates (Weighted Average)							
2008	**5.97%**	**4.76%**	**2.42%**	**4.65%**	**4.42%**	**5.76%**	**-**
2007	6.28%	4.93%	3.48%	5.13%	4.46%	-	6.02%

[1] Euro debt includes debt issues in Euro and French franc legacy currency.

[2] Other currencies comprise Australian dollar, New Zealand dollar, Pound sterling, Swiss franc, Hong Kong dollar, South African rand and New Turkish lira.

[3] The longest term to maturity is to June 2, 2047.

[4] Total foreign currency denominated debt as at March 31, 2008, was $24.7 billion (2007, $28.2 billion). Of that, $23.9 billion or 96.8% (2007, $27.2 billion or 96.4%) was fully hedged to Canadian dollars. The remaining 3.2% (2007, 3.6%) of foreign debt was unhedged as follows: $47 million (2007, $291 million) U.S. dollar denominated debt, $720 million (2007, $686 million) Japanese yen denominated debt and $26 million (2007, $24 million) Swiss franc denominated debt.

[5] Total debt includes issues totalling $2.7 billion (2007, $3.3 billion), which have embedded options exercisable by either the Province or the bond holder under specific conditions.

[6] Debt denominated in Canadian dollars as at March 31, 2008 includes $1.2 billion (2007, $1.1 billion) long-term debt purchased and held by the Province.

Debt As at March 31	2008	2007
Debt Payable to:		
Public Investors	$141,730	$134,431
Canada Pension Plan Investment Fund	10,233	10,233
Ontario Teachers' Pension Plan	4,466	6,411
Public Service Pension Plan	2,260	2,502
Ontario Public Service Employees Union Pension Fund	1,074	1,188
Canada Mortgage and Housing Corporation	863	914
Others[1]	1,430	1,314
Total	$162,056	$156,993

[1] Debt payable to others is comprised mainly of School Board Trust Debt – $831 million (2007 – $848 million) and debt of Ontario Immigrant Investor Corporation - $599 million (2007 – $400 million).

Fair value of debt issued approximates amounts at which debt instruments could be exchanged in a current transaction between willing parties. In valuing the Province's debt, fair value is estimated using discounted cash flows and other valuation techniques and is compared to public market quotations where available. These estimates are affected by the assumptions made concerning discount rates and the amount and timing of future cash flows.

The estimated fair value of debt as at March 31, 2008 was $180.1 billion (2007, $174.7 billion). This is higher than the book value of $162.1 billion (2007, $157.0 billion) because current interest rates are generally lower than the interest rates at which the debt was issued. The fair value of debt does not reflect the effect of related derivative contracts.

School Board Trust Debt

A School Board Trust was created in June 2003 to permanently refinance debt incurred by 55 school boards. The Trust issued 30-year sinking fund debentures amounting to $891 million in June 2003. The Trust provided $882 million of the proceeds to the 55 school boards in exchange for the irrevocable right to receive future transfer payments from the Province related to this debt. These amounts will be reduced over the 30-year period by the transfer payments made by the Ministry of Education to the Trust under the School Board Operating Grant program. As at March 31, 2008, the outstanding amount of $822 million (2007, $840 million) advanced to school boards is included in Other Assets and outstanding debentures of $831 million (2007, $848 million) are included in Debt.

3. Risk Management and Derivative Financial Instruments

The Province employs various risk management strategies and operates within strict risk exposure limits to ensure exposure to risk is managed in a prudent and cost-effective manner. A variety of strategies are used, including the use of derivative financial instruments ("derivatives").

Derivatives are financial contracts, the value of which is derived from underlying instruments. The Province uses derivatives to hedge and to minimize interest costs. Hedges are created primarily through swaps, which are legal contracts under which the Province agrees with another party to

exchange cash flows based on one or more notional amounts using stipulated reference interest rates for a specified period. Swaps allow the Province to offset its existing obligations and thereby effectively convert them into obligations with more desirable characteristics. Other derivative instruments used by the Province include forward foreign exchange contracts, forward rate agreements, futures, options, caps and floors.

Foreign exchange or currency risk is the risk that foreign currency debt principal and interest payments and foreign currency transactions will vary in Canadian dollar terms due to fluctuations in foreign exchange rates. To manage currency risk, the Province uses derivative contracts including foreign exchange forward contracts, futures, options and swaps to convert foreign currency cash flows into Canadian dollar denominated cash flows. Most of the derivative contracts hedge the underlying debt by matching all the critical terms to achieve effectiveness. In the instances where the term of foreign exchange forward contracts used for hedging is shorter than the term of the underlying debt, the effectiveness is maintained by continuously rolling the foreign exchange forward contract over the remaining term of the underlying debt, or until replaced with a long-term derivative contract.

The current policy allows the amount of unhedged foreign currency debt principal net of foreign currency holdings to reach a maximum of 5 per cent of Debt Issued for Provincial Purposes and OEFC debt. At March 31, 2008, the respective unhedged levels were 0.6 and nil per cent (2007, 0.7 and nil per cent). For every one-cent increase in the Canadian dollar versus the U.S. dollar, there would be an increase in the debt amount of $0.5 million (2007, $2.5 million) and an increase in Interest on Debt of $0.8 million (2007, $2.4 million). For every one Japanese yen decrease versus the Canadian dollar, there would be an increase in debt amount of $7.5 million (2007, $7.0 million) and an increase in Interest on Debt of $4.0 million (2007, $2.4 million). Total foreign exchange gains recognized in the Statement of Operations for 2007–08 were $131 million (2006–07, $127 million).

Interest on debt expense may also vary as a result of changes in interest rates. In respect of Debt Issued for Provincial Purposes and OEFC debt, the risk is measured as interest rate resetting risk, which is the net of floating rate exposure, liquid reserves and fixed rate debt maturing within the next 12-month period as a percentage of Debt Issued for Provincial Purposes and OEFC debt respectively. Depending on market conditions, the Province creates or reduces its exposure to interest rate changes by issuing or retiring short-term debt, or by entering into or closing out derivative positions. The current policy limits interest rate resetting risk for Debt Issued for Provincial Purposes and OEFC to a maximum of 35 per cent.

As at March 31, 2008, interest rate resetting risk for Debt Issued for Provincial Purposes and OEFC debt was 15.6 per cent and 23.6 per cent respectively (2007, 15.3 per cent and 14.4 per cent). Based on floating rate interest-bearing financial instruments on hand at the balance sheet date plus planned refinancing of maturing debt in the coming year, a one per cent (100 basis points) increase in interest rates would result in an increase in Interest on Debt of $290 million (2007, $250 million).

Liquidity risk is the risk that the Province will not be able to meet its current short-term financial obligations. To reduce liquidity risk, the Province maintains liquid reserves, that is, cash and temporary investments (Note 7), at levels that will meet future cash requirements and will give the Province flexibility in the timing of issuing debt. In addition, the Province has short-term note programs as alternative sources of liquidity.

The table below presents a maturity schedule of the Province's derivatives, by type, outstanding as at March 31, 2008, based on the notional amounts of the contracts. Notional amounts represent the volume of outstanding derivative contracts and are not indicative of credit risk, market risk or actual cash flows.

Derivative Portfolio Notional Value
As at March 31

Maturity in Fiscal Year	2009	2010	2011	2012	2013	6–10 Years	Over 10 Years	2008 Total	2007 Total
Swaps:									
Interest Rate	$11,444	$8,973	$4,679	$2,509	$7,315	$21,254	$4,854	**$61,028**	$68,565
Cross Currency	5,278	5,575	1,981	1,226	2,806	10,166	-	**27,032**	31,320
Forward Foreign Exchange Contracts	2,649	-	-	-	-	-	-	**2,649**	1,803
Caps and Floors	-	88	-	-	-	-	-	**88**	138
Total	$19,371	$14,636	$6,660	$3,735	$10,121	$31,420	$4,854	**$90,797**	$101,826

The use of derivatives introduces credit risk, which is the risk of a counterparty defaulting on contractual derivative obligations in which the Province has an unrealized gain. The table below presents the credit risk associated with the derivative financial instrument portfolio, measured through the replacement value of derivative contracts, at March 31, 2008.

Credit Risk Exposure
As at March 31

	2008	2007
Gross Credit Risk Exposure[1]	**$2,247**	$1,083
Less: Netting[2]	**(1,487)**	(898)
Net Credit Risk Exposure	**$ 760**	$ 185

[1] Gross credit risk exposure is the gross credit exposure to counterparties with net positive exposure (that is, the Province has an unrealized gain).
[2] "Netting" is the gross negative credit exposure to counterparties with net positive credit exposures covered by master agreements providing for close out netting when contracts do not have co-terminus settlement dates.

The Province manages its credit risk exposure from derivatives by, among other things, dealing only with high credit quality counterparties and regularly monitoring compliance to credit limits. In addition, the Province enters into contractual agreements ("master agreements") that provide for termination netting and, if applicable, payment netting with most of its counterparties. Gross credit risk exposure represents the loss that the Province would incur if every counterparty to which the Province had credit risk exposure were to default at the same time, and the contracted netting provisions were not exercised or could not be enforced. Net credit risk exposure is the loss including the mitigating impact of these netting provisions.

4. Ontario Electricity Financial Corporation Liabilities

The Ontario Electricity Financial Corporation (OEFC) is consolidated as a government organization in these financial statements. The prior year's opening accumulated deficit of the Province was adjusted to reflect an adjustment to the opening Unfunded Liability of the OEFC. The Unfunded Liability of OEFC as at April 1, 2006 was reduced by $110 million to reflect the elimination of a

working capital adjustment payable to Ontario Power Generation Inc. (OPG) that was originally recorded in OEFC's Unfunded Liability. It was subsequently determined that there was no obligation for this amount.

In addition to the current liabilities and long-term debt of OEFC, recorded in these financial statements under Accounts Payable and Accrued Liabilities and Debt respectively, the following liability of OEFC is also reflected in these financial statements:

Power Purchase Contracts

Power purchase contracts and related loan agreements were entered into by Ontario Hydro with non-utility generators (NUGs) located in Ontario. As the legal continuation of Ontario Hydro, OEFC is the counterparty to these contracts. A liability arose because these contracts, expiring on various dates to 2048, provided for the purchase of power at prices that were expected to be in excess of the market price.

The NUG liability had been valued at $4.3 billion on a discounted cash-flow (DCF) basis since Ontario Hydro was continued as OEFC on April 1, 1999. Prior to open access to the electricity market in May 2002, power purchased from NUGs was resold at cost to the revenue pool managed by OPG. After the market opened, OEFC sustained annual losses on power purchased from NUGs. The DCF model was updated as of March 31, 2003, which reduced the estimated liability by $422 million to $3.7 billion. This revaluation change is being amortized to operations over a 10-year period.

Under the *Electricity Restructuring Act, 2004*, effective January 1, 2005, OEFC began receiving actual contract prices for power from ratepayers and will no longer incur losses on these power purchase contracts. At that time, it was estimated that the bulk of the liability would be eliminated over 12 years as existing electricity contracts expire. The decrease in the liability for power purchase contracts for 2007–08 was $398 million (2006–07, $412 million). This results in a liability of $2.6 billion as at March 31, 2008 (2007, $3.0 billion).

5. Pensions and Other Employee Future Benefits

Pensions and Other Employee Future Benefits Liability (Asset)

As at March 31	2008 Pensions	2008 Other Employee Future Benefits	2008 Total	2007 Total
Obligation for benefits	$65,071	$5,757	**$70,828**	$67,054
Less: plan fund assets	(74,846)	(405)	**(75,251)**	(68,771)
Unamortized actuarial gains (losses)	4,447	(614)	**3,833**	1,791
Adjustments[1]	1,614	-	**1,614**	1,324
Total	**$ (3,714)**	**$4,738**	**$1,024**	$ 1,398

[1] Adjustments for pensions consist of:
i) differences for amounts reported by the pension plans at December 31, instead of the Province's year end of March 31
ii) unamortized difference between employer and employee contributions for jointly sponsored pension plans
iii) unamortized employee contribution reductions for solely sponsored plans
iv) unamortized initial unfunded liabilities of jointly sponsored plans
v) amounts payable by the Province that are reflected as contributions in the pension plan assets.

Pensions and Other Employee Future Benefits Expense

For the year ended March 31	2008 Pensions	2008 Other Employee Future Benefits	2008 Total	2007 Total
Cost of benefits	$1,634	$302	**$1,936**	$1,860
Amortization of actuarial losses (gains)	(485)	94	**(391)**	(242)
Employee contributions	(200)	-	**(200)**	(186)
Interest expense (income)	(452)	235	**(217)**	(61)
Adjustments[1]	(24)	-	**(24)**	(209)
Total[2]	**$473**	**$631**	**$1,104**	$1,162

[1] Adjustments for Pensions consist of amortization of:
i) the difference between employer and employee contributions for jointly sponsored pension plans
ii) employee contribution reductions for solely sponsored plans
iii) initial unfunded liability of jointly sponsored pension plans.

[2] Total Pensions and Other Employee Future Benefits Expense is reported in Schedule 4. The Teachers' Pension expense of $342 million (2006-07, $345 million) is included in the Education expense in the Consolidated Statement of Operations and is disclosed separately in Schedule 3. The Public Service and OPSEU Pension expense of $131 million (2006-07, $172 million) and Other Employee Future Benefits – Retirement Benefits expense of $400 million (2006-07, $385 million) are included in the General Government and Other expense in the Consolidated Statement of Operations. The combined total of Public Service and OPSEU Pension and Other Employee Future Benefits – Retirement Benefits expense of $531 million (2006-07, $557 million) is disclosed separately in Schedule 3. The remainder of Other Employee Future Benefits expense is included in the relevant ministries' expenses in Schedule 3.

Pensions

The Province sponsors several pension plans. It is the sole sponsor of the Public Service Pension Plan (PSPP) and joint sponsor of the Ontario Public Service Employees Union (OPSEU) Pension Plan and the Ontario Teachers' Pension Plan (OTPP).

These three plans are contributory defined benefit plans that provide Ontario government employees and elementary and secondary school teachers and administrators with a guaranteed amount of retirement income. Benefits are based primarily on the best five-year average salary of members and their length of service, and are indexed to changes in the Consumer Price Index to provide protection against inflation. Plan members normally contribute seven to nine per cent of their salary to these plans. The Province matches these contributions.

Funding of these plans is based on statutory actuarial funding valuations undertaken at least every three years. The Province contributed $809 million to OTPP in 2007–08 (2006–07, $797 million), $213 million (including $59 million special payment) to PSPP (2006–07, $218 million including $75 million special payment) and $153 million to OPSEU Pension Plan (2006–07, $143 million). During calendar year 2007, OTPP paid benefits, including transfers to other plans of $4.0 billion (2006, $3.8 billion), PSPP paid $856 million (2006, $822 million) and OPSEU Pension Plan paid $542 million (2006, $529 million). Under agreements between the Province and OPSEU, and between the Province and the Ontario Teachers' Federation (OTF), gains and losses arising from statutory actuarial funding valuations are shared by the co-sponsors.

The government's best estimate of the long-term annual inflation rate used in the pension and other employee future benefits calculations disclosed in these financial statements is 2.5 per cent; the salary escalation rate is 3.5 per cent; and the discount rate and expected rate of return on

pension plan assets are 6.75 per cent for OTPP, 6.5 per cent for PSPP and 6.75 per cent for OPSEU Pension Plan. Actuarial gains or losses are amortized over periods of 10 to 14 years.

The Province is also responsible for sponsoring the Ontario Teachers' Retirement Compensation Arrangement and the Public Service Supplementary Benefits Plan. Expenses and liabilities of these plans are included in the Pensions Expense and Pensions Liability reported in the above tables.

Other Employee Future Benefits

Other Employee Future Benefits are non-pension retirement benefits, post-employment benefits and compensated absences. The discount rate used in the Other Employee Future Benefits (except retirement benefits) calculation for 2007–08 is 4.95 per cent (2006–07, 4.90 per cent).

Retirement Benefits

The Province provides dental, basic life insurance, supplementary health and hospital benefits to retired employees through a self-insured, unfunded defined benefit plan. The Province paid $127 million for benefits under the plan in 2007–08 (2006–07, $122 million). The liability for non-pension retirement benefits of $3.0 billion as at March 31, 2008 (2007, $2.7 billion) is included in the Other Employee Future Benefits Liability. The expense for 2007–08 of $400 million (2006–07, $385 million) is included in the Other Employee Future Benefits Expense.

The discount rate used in the other retirement benefits calculation for 2007–08 is 5.10 per cent (2006–07, 5.10 per cent).

Post-Employment Benefits

For employees who have completed five years of service, the Province provides termination pay equal to one week's salary for each year of service up to a maximum of 50 per cent of their annual salary. Employees who have completed one year of service but less than five years are also entitled to termination pay in the event of death, retirement or release from employment. The termination pay benefits are unfunded and are administered by the Province. The Province paid $46 million in termination pay in 2007–08 (2006–07, $48 million). The liability for termination pay of $859 million as at March 31, 2008 (2007, $834 million) is included in the Other Employee Future Benefits Liability. The expense for 2007–08 of $71 million (2006–07, $78 million) is included in the Other Employee Future Benefits Expense.

The Province also provides, on a self-insured basis, workers' compensation benefits, long-term disability benefits and regular benefits to employees who are on long-term disability. The liability for workers' compensation of $408 million as at March 31, 2008 (2007, $416 million) net of deposits of $1 million (2007, $2 million) is included in the Other Employee Future Benefits Liability. The expense for 2007–08 of $35 million (2006–07, $98 million), including a $43 million payment made in 2007–08 (2006–07, $42 million), is included in the Other Employee Future Benefits Expense.

The unfunded liability for long-term disability benefits of $250 million as at March 31, 2008 (2007, $222 million) is net of deposits of $404 million (2007, $362 million), and is included in the Other Employee Future Benefits Liability. The 2007–08 expense of $99 million (2006–07, $77 million) is included in the Other Employee Future Benefits Expense. A $72 million payment for long-term disability benefits was made in 2007–08 (2006–07, $64 million).

6. Other Liabilities

Other Liabilities As at March 31	2008	2007
Deferred Revenue:		
Federal Transfers	$1,337	$1,628
Vehicle and Driver Licences	625	636
Other	843	782
Total Deferred Revenue	2,805	3,046
Other Funds and Liabilities	1,794	1,349
Total	**$4,599**	$4,395

Federal transfers were received by the Province to provide multi-year funding for provincial expenditures. They are recognized as revenue in the periods identified by the federal government in the underlying agreements. Details are provided in the following table:

Deferred Revenue — Federal Transfers

	Total Transfer Received	Included in Revenue		Revenue Deferred to Future Periods		Deferred Revenue
		2006–07 and prior	2007–08	2008–09	2009–10 and thereafter	As at March 31, 2008
ecoTrust for Clean Air and Climate Change	$586	$ -	$195	$195	$196	$391
Wait Times Reduction	1,656	953	468	235	-	235
Strategic Highway Infrastructure Fund	172	9	10	7	146	153
Patient Wait Times Guarantee Trust	205	-	68	68	69	137
Public Transit Capital	351	117	117	117	-	117
Affordable Housing	312	117	117	78	-	78
HPV Immunization Trust	117	-	39	39	39	78
Border Infrastructure Fund	91	3	14	3	71	74
Off-Reserve Aboriginal Housing Trust	80	27	26	27	-	27
Other Federal Transfers	437	195	195	41	6	47
Total	$4,007	$1,421	$1,249	$810	$527	**$1,337**

The Province provides a two-year vehicle licence plate renewal option and multi-year driver licence renewals (two years for seniors and five years for all others). Amounts received under these multi-year renewals are recognized as revenue over the periods covered by the licences.

Other deferred revenue includes deferred capital contributions of $668 million (2007, $531 million) from external sources for the acquisition and construction of tangible capital assets owned by the Province.

Other funds and liabilities include pension and benefit funds related to the Provincial Judges' Pension Fund, the Public Service and the Deputy Ministers' Supplementary Benefit Accounts, regulatory liabilities and externally restricted funds. Regulatory liabilities of $166 million and regulatory assets of $53 million are those of the Ontario Power Authority. They arise from the application of the *Electricity Act, 1998* and regulations made under that act. These accounts can be an asset or a liability, depending on whether the actual energy cost is higher or lower than the regulated price.

7. Temporary Investments

Temporary Investments **As at March 31**	**2008**	2007
Temporary Investments	**$3,315**	$7,764
Add: Assets Purchased under Resale Agreements	**1,679**	-
Less: Assets Sold under Repurchase Agreements	**(851)**	(5,471)
Total	**$4,143**	$2,293

The fair value of temporary investments, including assets purchased and sold under resale and repurchase agreements, at March 31, 2008 is $4.3 billion (2007, $2.4 billion). Temporary investments primarily consist of investments in government bonds. Fair value is determined using quoted market prices.

A resale agreement is an agreement between two parties where the Province purchases and subsequently resells a security at a specified price on a specified date. A repurchase agreement is an agreement between two parties where the Province sells and subsequently repurchases a security at a specified price on a specified date.

8. Other Assets

Other assets include prepaids, long-term investments, deferred charges and regulatory assets. Regulatory assets are discussed in Note 6. During the fiscal year ended March 31, 2008, investments in Canadian third-party asset-backed commercial paper ("ABCP") were reclassified from cash and cash equivalents to long-term investments.

As at March 31, 2008, the Province held ABCP issued by a number of trusts with an original cost of $636.9 million (par value - $644.2 million). At the time the Province purchased these investments, approximately 92 per cent were rated R-1 (high) by Dominion Bond Rating Service (DBRS), which is the highest credit rating for commercial paper, with the remainder rated R-1 (mid). However, there has been no active market in ABCP since mid-August 2007, and it has been under a standstill agreement known as the Montreal Accord. The Pan Canadian Investors Committee (the "Investors Committee") was formed on September 6, 2007 to restructure ABCP, and it filed an application for a restructuring plan (the "Plan") to the Ontario Superior Court of Justice (the "Court") pursuant to

the *Companies' Creditors Arrangement Act* on March 17, 2008. The Plan was approved by 96 per cent of investors on April 25, 2008 and was sanctioned by the Court on June 5, 2008. The Plan is currently in the appeal process and has yet to receive final court approval. The Province assesses a high probability that the restructuring will be successful and that the Province will receive the restructured notes contemplated by the Plan later in 2008.

The Investors Committee issued an Information Statement on March 20, 2008, containing details of the proposed restructuring. Based on this and other publicly available information, it is estimated that the Province will receive a series of notes that will closely match the maturity of the underlying assets. This will be comprised of approximately $49.6 million of notes backed by traditional assets, $33.7 million of notes with exposure to the U.S. residential mortgage market, and $553.5 million of notes backed by a combination of structured and traditional assets. Approximately 84 per cent of the restructured notes that the Province will receive are expected to have a high credit rating, or be backed by high quality traditional assets.

Under the accounting standards applicable to governments, the Province is required to reflect any impairment in investment value that is deemed to be "other than temporary." In such cases, the long-term investments are written down to reflect the net recoverable value. The Province has estimated the net recoverable value of its ABCP holdings using a valuation technique based on long-term historical data, and all publicly available information as of the date of finalization of the Consolidated Financial Statements. A probability-weighted discounted cash flow approach was used for the valuation. This analysis takes into consideration the likelihood of a successful restructuring and the specific attributes of each class of note.

Based on this analysis, management's best estimate of the net recoverable value of the Province's investment in ABCP, as at March 31, 2008, is approximately $530.1 million, representing a valuation adjustment of approximately $106.8 million. The valuation adjustment has been recognized in the Consolidated Statement of Operations. No interest revenue has been accrued to date for the Province's investment in ABCP.

In addition, government business enterprises that are consolidated on the modified equity basis recorded total impairment loss of $18 million relating to the ABCP. These write-downs are included in Income from Investments in Government Business Enterprises on the Consolidated Statement of Operations for the year ended March 31, 2008. As at March 31, 2008, the remaining estimated fair value of the government business enterprises' investments in ABCP was $40 million.

The Province continues to maintain a strong liquidity position. The liquidity issues in the ABCP market have not had a significant impact on the Province's operations or financial position.

9. Tangible Capital Assets

Tangible Capital Assets As at March 31	2008 Cost	2008 Accumulated Amortization	2008 Net Book Value	2007 Net Book Value
Land	$5,682	$ -	**$5,682**	$5,558
Buildings	4,767	1,524	**3,243**	2,919
Transportation Infrastructure	15,917	6,374	**9,543**	7,612
Other	1,939	1,295	**644**	1,156
Total	$28,305	$9,193	**$19,112**	$17,245

Land includes land acquired for transportation infrastructure, parks, buildings and other program use, and land improvements that have an indefinite life and are not being amortized. Land excludes Crown lands acquired by right.

Buildings include administrative and service structures, and buildings under construction, but leased premises are excluded.

Transportation infrastructure includes provincial highways, railways, bridges and related structures and facilities, but excludes land and buildings.

Other includes railway equipment, computer equipment, vehicles, furniture, and administrative and service equipment owned by government organizations that are consolidated. It is planned to include similar assets owned by provincial ministries in the Province's financial statements in 2009–10. Works of art and historical treasures including the Legislative Building are excluded from tangible capital assets.

All tangible capital assets, except buildings under construction, land and land improvements with an indefinite life, are being amortized on a straight-line basis over their estimated useful lives. Amortization expense for the fiscal year 2007–08 totalled $880 million (2006–07, $838 million). The useful lives of the Province's tangible capital assets have been estimated as:

Buildings	20 to 40 years
Transportation Infrastructure	10 to 60 years
Other	3 to 25 years

10. Changes in the Fair Value of Ontario Nuclear Funds

Ontario Nuclear Funds Agreement (ONFA) Funds were established by Ontario Power Generation Inc. (OPG) in order to ensure that sufficient funds are available to pay the costs of nuclear station decommissioning and nuclear used fuel waste management. Effective January 1, 2007, OPG adopted the new accounting standards issued by the Canadian Institute of Chartered Accountants on the recognition and measurement of financial instruments. As a result, the ONFA Funds were carried at fair value in OPG's financial statements.

Effective April 1, 2007, the fair value of ONFA Funds is reflected in Investment in Government Business Enterprises in these consolidated financial statements. Realized gains and losses of ONFA Funds are reflected in Income from Investment in Government Business Enterprises. Unrealized gains and losses of ONFA Funds are recorded as an Increase (Decrease) in Fair Value of Ontario Nuclear Funds in the Consolidated Statement of Change in Net Debt and the Consolidated Statement of Change in Accumulated Deficit. Inter-organizational balances related to ONFA Funds recorded in OPG's consolidated financial statements have been eliminated.

The cumulative effect of this change in accounting policy resulted in a $1.5 billion increase in the opening Net Assets of Government Business Enterprises (disclosed in Schedule 9 of these financial statements), and a corresponding decrease in the opening Net Debt and Accumulated Deficit as at April 1, 2007. Prior year comparatives have not been restated for this change.

For the year ended March 31, 2008, this change in accounting policy resulted in a $62 million increase in Income from Investment in Government Business Enterprises and in the Province's annual Surplus. ONFA Funds incurred unrealized losses of $935 million during the year, which resulted in a corresponding decrease in the Province's Investment in Government Business Enterprises, Net Debt and Accumulated Deficit.

II. Contingent Liabilities

Obligations Guaranteed by the Province

The authorized limit for loans guaranteed by the Province as at March 31, 2008 was $2.4 billion (2007, $2.9 billion). The outstanding loans guaranteed and other contingencies amounted to $2.3 billion as at March 31, 2008 (2007, $2.6 billion). A provision of $445 million (2007, $416 million) based on an estimate of the likely loss arising from guarantees under the Student Support Programs has been reflected in these financial statements.

Ontario Nuclear Funds Agreement (ONFA)

Under ONFA, the Province is liable to make payments should the cost estimate for nuclear used fuel waste management rise above specified thresholds, for a fixed volume of used fuel. The likelihood and amount by which the cost estimate could rise above these thresholds cannot be determined at this time. The cost estimate will be updated periodically, to reflect new developments in the management of nuclear used fuel waste.

As well, under ONFA, the Province guarantees a return of 3.25 per cent over the Ontario Consumer Price Index for the nuclear used fuel waste management fund. If the earnings on assets in that fund exceed the guaranteed rate, the Province is entitled to the excess.

Two agreements are in place to satisfy the Canadian Nuclear Safety Commission (CNSC) licensing requirements for financial guarantees in respect of OPG's nuclear station decommissioning and nuclear waste management obligations. One agreement gives the CNSC access to the segregated funds established under ONFA. The other agreement provides a direct provincial guarantee to the CNSC on behalf of OPG. This guarantee, for up to $760 million, effective January 1, 2008, relates to the portion of the decommissioning and waste management obligations not funded by the segregated funds. In return, the Province receives from OPG an annual fee equal to 0.5 per cent of the value of the direct provincial guarantee.

Social Housing — Loan Insurance Agreements

For all non-profit housing projects in the provincial portfolio, the Province is liable to indemnify and reimburse the Canada Mortgage and Housing Corporation (CMHC) for any net costs, including any environmental liabilities, incurred as a result of project defaults through the Ministry of Municipal Affairs and Housing or the Ontario Housing Corporation.

At March 31, 2008, there were $8.0 billion (2007, $8.3 billion) of mortgage loans outstanding. As operating subsi·¹ s provided by the Province are sufficient to ensure that all mortgage payments can be made when due, default is unlikely. To date, there have been no claims for defaults on insured mortgage loans.

Claims Against the Crown

There are claims outstanding against the Crown of which 72 (2007, 73) are for amounts over $50 million. These claims arise from legal action, either in progress or threatened, in respect of aboriginal land claims, breach of contract, damages to persons and property, and like items. The cost to the Province, if any, cannot be determined because the outcome of these actions is uncertain.

Canadian Blood Services

The provincial and territorial governments of Canada have entered into a Canadian Blood Services Excess Insurance Captive Support Agreement (the "Captive Support Agreement") with Canadian Blood Services (CBS) and Canadian Blood Services Captive Insurance Company Limited (CBSI), a wholly owned subsidiary of CBS established under the laws of British Columbia. Under the Captive Support Agreement, each government indemnifies CBSI for its pro-rata share of any payments that CBSI becomes obliged to make under a comprehensive blood risks insurance policy it provides to CBS. The policy has an overall limit of $750 million, which may cover settlements, judgments and defence costs. The policy is in excess of, and secondary to, a $250 million comprehensive insurance policy underwritten by CBS Insurance Company Limited, a subsidiary of CBS domiciled in Bermuda. Given current populations, Ontario's maximum potential liability under the Captive Support Agreement is approximately $376 million. The Province is not aware of any proceedings that could lead to a claim against it under the Captive Support Agreement.

12. Contractual Obligations

Contractual Obligations As at March 31	2008	2007	Minimum Payments to be made in: 2009	2010	2011	2012	2013	2014 and thereafter
Ontario Power Generation	**$11,464**	$11,064	$2,354	$1,650	$1,919	$1,135	$1,071	$3,335
Transfer payments	**9,136**	5,158	2,713	1,385	1,117	975	473	2,473
Leases	**1,328**	1,487	226	166	141	118	114	563
Construction Contracts	**2,837**	1,879	1,662	677	454	41	1	2
Other	**3,625**	3,477	653	490	417	381	281	1,403
Total Contractual Obligations	**$28,390**	$23,065	$7,608	$4,368	$4,048	$2,650	$1,940	$7,776

Ontario Power Generation Inc.'s contractual obligations include future contributions under the Ontario Nuclear Funds Agreement of $3.0 billion, long-term debt repayment obligations of $3.7 billion and fuel supply agreements of $2.3 billion.

13. Trust Funds Under Administration

Summary financial information from the most recent financial statements of trust funds under administration is provided below.

Workplace Safety and Insurance Board **As at December 31**	**2007**	2006
Assets	**$15,972**	$16,455
Liabilities	**24,066**	22,452
Unfunded Liability	**(8,094)**	(5,997)
Revenues	**3,370**	5,341
Expenditures	**5,467**	4,828
Surplus (Deficit)	**(2,097)**	513
Unfunded Liability, Beginning of Year	**(5,997)**	(6,510)
Unfunded Liability, End of Year	**($8,094)**	($5,997)

Other Trust Funds
As at March 31, 2008

	Assets	**Liabilities**	**Fund Balance (Unfunded Liability)**
The Public Guardian and Trustee for Province of Ontario	**$1,347**	**$1,257**	**$90**
Motor Vehicle Accident Claims Fund	**$58**	**$249**	**($191)**
Pension Benefits Guarantee Fund	**$175**	**$277**	**($102)**
As at December 31, 2007	**Assets**	**Liabilities**	**Fund Balance**
Deposit Insurance Corporation of Ontario	**$131**	**$25**	**$106**

Unfunded liabilities of trusts under administration are not included in the Province's consolidated financial statements as they will be discharged by external parties. The most recent financial statements of these trusts are reproduced in Volume 2 of the Public Accounts of Ontario.

14. Comparative Figures

The comparative figures have been reclassified as necessary to conform to the 2008 presentation.

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Schedule 1: Revenues by Source

($ Millions)	2007–08 Budget[1]	2007–08 Actual	2006–07 Actual
Taxation			
Personal Income Tax	23,285	24,538	23,655
Retail Sales Tax	16,682	16,976	16,228
Corporations Tax	10,605	12,990	10,845
Employer Health Tax	4,550	4,605	4,371
Ontario Health Premium	2,638	2,713	2,589
Gasoline Tax	2,401	2,360	2,310
Land Transfer Tax	1,187	1,363	1,197
Tobacco Tax	1,217	1,127	1,236
Fuel Tax	741	733	723
Electricity Payments-In-Lieu of Taxes	706	546	757
Other Taxes	307	481	399
	64,319	68,432	64,310
Transfers from Government of Canada			
Canada Health Transfer	8,104	8,487	7,702
Canada Social Transfer	3,740	3,778	3,225
Labour Market Development Agreement	582	587	184
Transition Trust	577	574	-
Social Housing	528	525	532
Wait Times Reduction Fund	468	468	467
Corporations Tax Administration Redesign	400	250	-
Early Learning and Child Care	-	-	253
Infrastructure Programs	161	207	191
Post-Secondary Education Infrastructure Trust	195	195	195
ecoTrust for Clean Air and Climate Change	195	195	-
Indian Welfare Services Agreement	174	186	179
Public Transit Capital Trust	117	117	117
Affordable Housing Trust	117	117	117
Child Care Spaces	-	97	-
Bilingualism Development	78	97	82
Federal Capital Tax Incentive	-	83	-
Labour Market Agreement for Persons with Disabilities	73	77	76
Patient Wait Time Guarantee	-	68	-
Youth Criminal Justice	66	64	64
Public Health and Immunization Trust	-	-	53
Legal Aid Criminal	43	51	51
Other	488	374	548
	16,106	16,597	14,036

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Schedule 1: Revenues by Source (cont'd)

($ Millions)	2007–08 Budget[1]	2007–08 Actual	2006–07 Actual
Income from Investment in Government Business Enterprises (*Schedule 9*)	3,986	4,437	4,196
Other			
Vehicle and Driver Registration Fees	1,032	1,051	970
Electricity Debt Retirement Charge	1,013	982	991
Power Sales	831	929	863
Local Services Realignment	833	827	809
Other Fees and Licences	583	668	624
Sales and Rentals	429	553	1,108
Liquor Licence Board of Ontario Revenues	455	475	467
Net Reduction of Power Purchase Contracts	398	398	412
Royalties	217	193	215
Independent Electricity System Operator Revenue	136	135	124
Miscellaneous	1,165	1,445	1,272
	7,092	7,656	7,855
Total Revenues	91,503	97,122	90,397

[1] Amounts reported as "Plan" in 2007 Budget.

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Schedule 2: Revenues by Sector

Sectors	Health[1]		Education[2]		Children's and Social Services[3]		Environment, Resources and Economic Development[4]		Post-Secondary Education and Training[5]		Justice[6]		General Government and Other[7]		Interest on Debt[8]		Total	
For the year ended March 31 ($ Millions)	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
Revenues																		
Taxation *(Schedule 1)*	-	-	-	-	-	-	2	5	-	-	-	-	68,430	64,305	-	-	68,432	64,310
Transfers from Government of Canada *(Schedule 1)*	87	75	78	72	288	279	837	1,062	673	289	102	90	14,532	12,169	-	-	16,597	14,036
Income from Investment in Government Business Enterprises *(Schedule 9)*	-	-	-	-	-	-	1,206	943	-	-	-	-	3,231	3,253	-	-	4,437	4,196
Other *(Schedule 1)*	211	188	9	50	800	778	2,238	1,896	72	118	593	552	3,733	4,273	-	-	7,656	7,855
Total	298	263	87	122	1,088	1,057	4,283	3,906	745	407	695	642	89,926	84,000	-	-	97,122	90,397

[1] Includes the activities of the Ministries of Health and Long Term Care, and Health Promotion.

[2] Includes the activities of the Ministry of Education.

[3] Includes the activities of the Ministries of Children and Youth Services, and Community and Social Services.

[4] Includes the activities of the Ministries of Aboriginal Affairs, Agriculture, Food and Rural Affairs, Citizenship and Immigration, Culture, Economic Development and Trade, Energy, Environment, Labour, Municipal Affairs and Housing, Natural Resources, Northern Development and Mines, Research and Innovation, Small Business and Entrepreneurship, Tourism, and Transportation.

[5] Includes the activities of the Ministry of Training, Colleges and Universities.

[6] Includes the activities of the Ministries of Attorney General, and Community Safety and Correctional Services.

[7] Includes the activities of the Ministries of Government and Consumer Services, Intergovernmental Affairs, Public Infrastructure Renewal, Finance, and Revenue, the Board of Internal Economy, the Democratic Renewal Secretariat, Executive Offices and the Office of Francophone Affairs.

[8] Includes the activities related to the management of debt of the Province.

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Schedule 3: Expenses by Ministry

($ Millions)	2007–08 Budget[1]	2007–08 Actual	2006–07 Actual
Aboriginal Affairs	28	234	25
Agriculture, Food and Rural Affairs	895	1,085	1,078
Attorney General	1,387	1,652	1,347
Board of Internal Economy	245	257	163
Children and Youth Services	3,574	3,717	3,260
Citizenship and Immigration	86	94	116
Community and Social Services	7,341	7,548	7,182
Community Safety and Correctional Services	1,927	2,003	1,877
Culture	350	403	410
Democratic Renewal Secretariat	8	3	6
Economic Development and Trade	327	449	199
Education	437	446	423
School Boards *(Schedule 10)*	11,989	11,830	11,290
Teachers' Pension *(Note 5)*	349	342	345
Energy	290	286	229
Environment	325	349	314
Executive Offices	18	18	19
Finance	1,381	1,368	1,327
Contingency Fund	580	–	–
Interest on Debt	9,123	8,914	8,831
Power Purchases	831	929	863
Investing in Ontario Act	–	1,149	–
Government and Consumer Services	886	888	924
Public Service/OPSEU Pension and Other Employee Future Benefits *(Note 5)*	533	531	557
Health and Long-Term Care	20,043	20,423	19,162
Hospitals *(Schedule 10)*	17,509	17,381	16,145
Health Promotion	373	364	391
Intergovernmental Affairs	9	14	11
Labour	161	170	147
Municipal Affairs and Housing	760	844	843
Natural Resources	726	797	734
Northern Development and Mines	356	346	318
Office of Francophone Affairs	4	5	4
Public Infrastructure Renewal	138	555	426
Capital Contingency Plan	175	–	–
Research and Innovation	325	388	316
Revenue	578	554	563
Small Business and Entrepreneurship	26	31	25
Tourism	195	234	204
Training, Colleges and Universities	4,402	5,079	4,110
Colleges *(Schedule 10)*	1,453	1,403	1,273
Transportation	1,910	3,439	2,671
Year-End Savings[2]	(900)	–	–
Total Expenses	91,153	96,522	88,128

[1] Amounts reported as "Plan" in 2007 Budget.

[2] For Budget purposes, these items were not allocated to individual ministries.

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Schedule 4: Expenses by Sector[1]

Sectors	Health[2]		Education[3]		Children's and Social Services[4]		Environment, Resources and Economic Development[5]		Post-Secondary Education and Training[6]		Justice[7]		General Government and Other[8]		Interest on Debt[9]		Total	
For the year ended March 31 ($ Millions)	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
Expenses																		
Transfer Payments	36,482	34,311	11,834	11,227	10,565	9,800	6,254	4,102	6,630	5,387	381	236	1,729	1,508	-	-	73,875	66,571
Interest on Debt	-	-	53	53	-	-	-	-	-	-	-	-	-	-	8,861	8,778	8,914	8,831
Salaries and Wages	503	415	156	141	455	443	1,248	1,174	80	51	1,797	1,649	891	834	-	-	5,130	4,707
Services	715	571	113	115	120	126	1,194	1,145	44	39	784	744	121	462	-	-	3,091	3,202
Pensions and Employee Future Benefits *(Note 5)*	8	9	342	345	7	7	9	8	-	-	17	15	721	778	-	-	1,104	1,162
Power Purchases	-	-	-	-	-	-	-	-	-	-	-	-	929	863		-	929	863
Supplies and Equipment	360	360	12	11	26	30	221	178	2	3	207	201	96	75	-	-	924	858
Amortization of Tangible Capital Assets *(Note 9)*	31	27	5	4	-	-	749	713	-	-	3	4	92	90	-	-	880	838
Employee Benefits	81	65	24	22	78	66	203	185	11	6	216	199	126	93	-	-	739	636
Transportation and Communication	101	82	18	18	57	40	85	82	6	5	82	87	136	8	-	-	485	322
Increase/(Decrease) in Net Assets of Broader Public Sector Organizations	(330)	(308)	(11)	67	-	-	-	-	(269)	(99)	-	-	-	-	-	-	(610)	(340)
Other	67	18	27	28	61	23	405	115	25	21	181	102	295	171	-	-	1,061	478
	38,018	35,550	12,573	12,031	11,369	10,535	10,368	7,702	6,529	5,413	3,668	3,237	5,136	4,882	8,861	8,778	96,522	88,128
Adjustments[10]	150	148	45	27	(104)	(93)	(70)	(73)	(47)	(30)	(13)	(13)	(14)	(19)	53	53	-	-
Total	**38,168**	**35,698**	**12,618**	**12,058**	**11,265**	**10,442**	**10,298**	**7,629**	**6,482**	**5,383**	**3,655**	**3,224**	**5,122**	**4,863**	**8,914**	**8,831**	**96,522**	**88,128**

[1] The information in the sectors columns represents activities of ministries and consolidated agencies before adjustments to eliminate transactions between sectors.

[2] Includes the activities of the Ministries of Health and Long-Term Care, and Health Promotion.

[3] Includes the activities of the Ministry of Education.

[4] Includes the activities of the Ministries of Children and Youth Services, and Community and Social Services.

[5] Includes the activities of the Ministries of Aboriginal Affairs, Agriculture, Food and Rural Affairs, Citizenship and Immigration, Culture, Economic Development and Trade, Energy, Environment, Labour, Municipal Affairs and Housing, Natural Resources, Northern Development and Mines, Research and Innovation, Small Business and Entrepreneurship, Tourism, Transportation, and Investing in Ontario Act (IOA) expense.

[6] Includes the activities of the Ministry of Training, Colleges and Universities.

[7] Includes the activities of the Ministries of Attorney General, and Community Safety and Correctional Services.

[8] Includes the activities of the Ministries of Government and Consumer Services, Intergovernmental Affairs, Public Infrastructure Renewal, Finance (except for IOA expense), Revenue, the Board of Internal Economy, the Democratic Renewal Secretariat, Executive Offices and the Office of Francophone Affairs.

[9] Includes the activities related to the management of debt of the Province.

[10] Includes adjustments to eliminate transactions between sectors.

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Schedule 5: Accounts Payable and Accrued Liabilities

As at March 31 ($ Millions)	2008	2007
Transfer Payments	7,727	4,807
Interest on Debt	3,715	4,014
Liability for CRA[1] Overpayment	798	931
Salaries, Wages and Benefits	655	569
Restructuring	–	88
Other	2,449	2,054
Total Accounts Payable and Accrued Liabilities	15,344	12,463

[1] CRA – Canada Revenue Agency.

Province of Ontario

Schedule 6: Accounts Receivable

As at March 31 ($ Millions)	2008	2007
Taxes	6,502	6,473
Transfer Payments[1]	1,376	1,376
Other Accounts Receivable	866	761
	8,744	8,610
Less: Provision for Doubtful Accounts[2]	(2,256)	(2,172)
	6,488	6,438
Government of Canada	1,870	1,415
Total Accounts Receivable	8,358	7,853

[1] The transfer payment receivable consists primarily of recoverables of $880 million (2007, $857 million) for the Ontario Disability Support Program – Financial Assistance, and $408 million (2007, $422 million) for Student Support.

[2] The provision for doubtful accounts includes a provision of $806 million (2007, $788 million) for the Ontario Disability Support Program – Financial Assistance, and $340 million (2007, $344 million) for Student Support.

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Schedule 7: Loans Receivable

As at March 31 ($ Millions)	2008	2007
Government Business Enterprises[1]	4,081	3,453
Students[2]	2,260	2,159
Municipalities[3]	1,682	1,370
School Boards and Colleges[4]	1,511	866
Pension Benefit Guarantee Fund[5]	286	297
Industrial and Commercial[6]	327	286
Universities[7]	185	165
Other	57	52
	10,389	8,648
Unamortized Concession Discounts[8]	(403)	(378)
Allowance for Doubtful Accounts[9]	(917)	(892)
Total Loans Receivable	9,069	7,378

1 Loans to government business enterprises bear interest at rates of 1.99% to 6.65% (2007, 4.38% to 6.65%).

2 Loans to students bear interest at rates of 4.25% to 6.25% (2007, 4.25% to 5.00%).

3 Loans to municipalities bear interest at rates up to 8.00% (2007, 8.00%).

4 Loans to school boards and colleges bear interest at rates of 3.95% to 11.04% (2007, 4.56% to 11.04%).

5 The loan to the Pension Benefit Guarantee Fund is interest-free.

6 Loans to industrial and commercial enterprises bear interest at rates up to 7.95% (2007, 7.47%) and include forgivable loans totalling $8.9 million (2007, $8.9 million), which are fully provided for in the allowance for doubtful accounts.

7 Loans to universities are mortgages bearing interest at rates of 5.85% to 10.81% (2007, 6.13% to 11.04%).

8 Unamortized concession discounts are related to loans to municipalities of $130 million (2007, $128 million), loans to Pension Benefit Guarantee Fund of $140 million (2007, $145 million), and loans to industrial and commercial enterprises of $129 million (2007, $105 million).

9 Allowance for doubtful accounts is related to loans to students of $736 million (2007, $714 million), loans to municipalities of $168 million (2007, $158 million), loans to industrial and commercial enterprises and other of $23 million (2007, $20 million).

Repayment Terms	Principal Repayment ($ Millions)	
Years to Maturity	2008	2007
1 year	1,577	1,561
2 years	892	661
3 years	770	868
4 years	362	748
5 years	588	337
1–5 years	4,189	4,175
6–10 years	2,151	1,313
11–15 years	573	400
16–20 years	553	366
21–25 years	492	297
Over 25 years	175	157
Subtotal	8,133	6,708
No fixed maturity	2,256	1,940
Total	10,389	8,648

Province of Ontario
Schedule 8: Government Organizations

Government Business Enterprises[1]	Responsible Ministry
Algonquin Forestry Authority (AFA)	Natural Resources
Hydro One Inc. (HOI)	Energy
Liquor Control Board of Ontario (LCBO)	Public Infrastructure Renewal
Niagara Parks Commission (NPC)	Tourism
Ontario Clean Water Agency (OCWA)	Environment
Ontario Lottery and Gaming Corporation (OLGC)	Public Infrastructure Renewal
Ontario Northland Transportation Commission (ONTC)	Northern Development and Mines
Ontario Power Generation Inc. (OPG)	Energy
Other Government Organizations[1]	**Responsible Ministry**
Agricorp	Agriculture, Food and Rural Affairs
Agricultural Research Institute of Ontario	Agriculture, Food and Rural Affairs
Cancer Care Ontario	Health and Long-Term Care
Education Quality and Accountability Office	Education
GO Transit (Toronto Area Transit Operating Authority and Greater Toronto Transit Authority)	Transportation
Independent Electricity System Operator	Energy
Legal Aid Ontario	Attorney General
Local Health Integration Networks[2]	Health and Long-Term Care
Central East Local Health Integration Network	Health and Long-Term Care
Central Local Health Integration Network	Health and Long-Term Care
Central West Local Health Integration Network	Health and Long-Term Care
Champlain Local Health Integration Network	Health and Long-Term Care
Erie St. Clair Local Health Integration Network	Health and Long-Term Care
Hamilton Niagara Haldimand Brant Local Health Integration Network	Health and Long-Term Care
Mississauga Halton Local Health Integration Network	Health and Long-Term Care
North East Local Health Integration Network	Health and Long-Term Care
North Simcoe Muskoka Local Health Integration Network	Health and Long-Term Care
North West Local Health Integration Network	Health and Long-Term Care
South East Local Health Integration Network	Health and Long-Term Care
South West Local Health Integration Network	Health and Long-Term Care
Toronto Central Local Health Integration Network	Health and Long-Term Care
Waterloo Wellington Local Health Integration Network	Health and Long-Term Care
Metropolitan Toronto Convention Centre	Tourism
Northern Ontario Heritage Fund Corporation	Northern Development and Mines
Ontario Educational Communications Authority	Education
Ontario Electricity Financial Corporation	Finance
Ontario Energy Board	Energy
Ontario Financing Authority	Finance
Ontario French-Language Educational Communications Authority[2]	Education
Ontario Immigrant Investor Corporation	Economic Development and Trade
Ontario Infrastructure Projects Corporation (Infrastructure Ontario)	Public Infrastructure Renewal
Ontario Mortgage and Housing Corporation	Municipal Affairs and Housing
Ontario Place Corporation	Tourism
Ontario Power Authority	Energy

[1] The most recent audited financial statements of these organizations are reproduced in Volume 2, Public Accounts of Ontario.
[2] The organization met the criteria for consolidation in fiscal year 2007-08.

Province of Ontario
Schedule 8: Government Organizations

Other Government Organizations (cont'd)	Responsible Ministry (cont'd)
Ontario Racing Commission	Government and Consumer Services
Ontario Realty Corporation	Public Infrastructure Renewal
Ontario Science Centre	Culture
Ontario Securities Commission	Finance
Ontario Tourism Marketing Partnership Corporation	Tourism
Ontario Trillium Foundation	Culture
Ornge[2]	Health and Long-Term Care
Royal Ontario Museum	Culture
Smart Systems for Health Agency	Health and Long-Term Care
Waterfront Toronto[3]	Public Infrastructure Renewal
Broader Public Sector Organizations	
Public Hospitals – Ministry of Health and Long-Term Care	
Alexandra Hospital Ingersoll	Grey Bruce Health Services
Alexandra Marine & General Hospital	Groves Memorial Community Hospital
Almonte General Hospital	Guelph General Hospital
Anson General Hospital	Haldimand War Memorial Hospital
Arnprior and District Memorial Hospital	Haliburton Highlands Health Services Corporation
Atikokan General Hospital	Halton Healthcare Services Corporation
Baycrest Centre for Geriatric Care	Hamilton Health Sciences Corporation
Bingham Memorial Hospital	Hanover & District Hospital
Blind River District Health Centre	Headwaters Health Care Centre
Bloorview MacMillan Centre	Hôpital Général de Hawkesbury and District General Hospital Inc.
Bluewater Health	Hôpital Glengarry Memorial Hospital
Brantford General Hospital	Hôpital Montfort
Bridgepoint Hospital	Hôpital Notre Dame Hospital
Brockville General Hospital	Hôpital régional de Sudbury Regional Hospital
Cambridge Memorial Hospital	Hornepayne Community Hospital
Campbellford Memorial Hospital	Hospital for Sick Children
Carleton Place and District Memorial Hospital	Hôtel-Dieu Hospital, Cornwall
Casey House Hospice	Hôtel-Dieu Grace Hospital
Chatham-Kent Health Alliance	Hôtel-Dieu Shaver Health and Rehabilitation Centre
Children's Hospital of Eastern Ontario	Humber River Regional Hospital
Clinton Public Hospital	Huronia District Hospital
Collingwood General and Marine Hospital	James Bay General Hospital
Cornwall Community Hospital	Joseph Brant Memorial Hospital
Credit Valley Hospital	Kemptville District Hospital
Deep River and District Hospital Corporation	Kingston General Hospital
Dryden Regional Health Centre	Kirkland and District Hospital
Englehart and District Hospital	Lady Dunn Health Centre
Espanola General Hospital	Lady Minto Hospital at Cochrane
Four Counties Health Services	Lake of the Woods District Hospital
Geraldton District Hospital	Lakeridge Health Corporation
Grand River Hospital	Leamington District Memorial Hospital

[2] The organization met the criteria for consolidation in fiscal year 2007-08.
[3] Formerly known as Toronto Waterfront Revitalization Corporation.

Public Hospitals – Ministry of Health and Long-Term Care (cont'd)

Lennox and Addington County General Hospital
Listowel Memorial Hospital
London Health Sciences Centre
Manitoulin Health Centre
Manitouwadge General Hospital
Markham Stouffville Hospital
Mattawa General Hospital
McCausland Hospital
Mount Sinai Hospital
Muskoka Algonquin Healthcare
Niagara Health System
Nipigon District Memorial Hospital
Norfolk General Hospital
North Bay General Hospital
North Wellington Health Care Corporation
North York General Hospital
Northumberland Hills Hospital
Orillia Soldiers' Memorial Hospital
Ottawa Hospital
Pembroke Regional Hospital Inc.
Penetanguishene General Hospital Inc.
Perth and Smiths Falls District Hospital
Peterborough Regional Health Centre
Providence Healthcare
Queensway-Carleton Hospital
Quinte Healthcare Corporation
Red Lake Margaret Cochenour Memorial Hospital
Religious Hospitallers of St. Joseph of the Hôtel Dieu of Kingston
Renfrew Victoria Hospital
Riverside Health Care Facilities Inc.
Ross Memorial Hospital
Rouge Valley Health System
Royal Victoria Hospital of Barrie Inc.
Runnymede Healthcare Centre
Salvation Army Toronto Grace Hospital
Sault Area Hospital
Scarborough Hospital
Seaforth Community Hospital
Sensenbrenner Hospital
Services de santé de Chapleau Health Services
Sioux Lookout Meno-Ya-Win Health Centre
Sisters of Charity of Ottawa Hospital
Smooth Rock Falls Hospital
South Bruce Grey Health Centre
South Huron Hospital Association
Southlake Regional Health Centre
St. Francis Memorial Hospital
St. John's Rehabilitation Hospital
St. Joseph's Care Group
St. Joseph's General Hospital, Elliot Lake
St. Joseph's Health Care, London
St. Joseph's Health Centre (Toronto)
St. Joseph's Health Centre (Guelph)
St. Joseph's Healthcare Hamilton
St. Mary's General Hospital
St. Mary's Memorial Hospital
St. Mary's of the Lake Hospital (Kingston PCCC)
St. Michael's Hospital
St. Peter's Hospital
St. Thomas - Elgin General Hospital
St. Vincent de Paul Hospital
Stevenson Memorial Hospital
Stratford General Hospital
Strathroy Middlesex General Hospital
Sunnybrook Health Sciences Centre
Temiskaming Hospital
Thunder Bay Regional Health Sciences Centre
Tillsonburg District Memorial Hospital
Timmins and District Hospital
Toronto East General Hospital
Toronto Rehabilitation Institute
Trillium Health Centre
University Health Network
University of Ottawa Heart Institute
West Haldimand General Hospital
West Lincoln Memorial Hospital
West Nipissing General Hospital
West Park Healthcare Centre
West Parry Sound Health Centre
Willett Hospital
William Osler Health Centre
Wilson Memorial General Hospital
Winchester District Memorial Hospital
Windsor Regional Hospital
Wingham and District Hospital
Women's College Hospital
Woodstock General Hospital
York Central Hospital

Specialty Psychiatric Hospitals – Ministry of Health and Long-Term Care

- Centre for Addiction and Mental Health
- Northeast Mental Health Centre
- Royal Ottawa Health Care Group
- Whitby Mental Health Centre

School Boards – Ministry of Education

- Airy and Sabine District School Area Board
- Algoma District School Board
- Algonquin and Lakeshore Catholic District School Board
- Asquith-Garvey District School Area Board
- Atikokan Roman Catholic Separate School Board
- Avon Maitland District School Board
- Bloorview MacMillan School Authority
- Bluewater District School Board
- Brant Haldimand Norfolk Catholic District School Board
- Bruce-Grey Catholic District School Board
- Campbell Children's School Authority
- Caramat District School Area Board
- Catholic District School Board of Eastern Ontario
- Collins District School Area Board
- Connell and Ponsford District School Area Board
- Conseil des écoles publiques de l'Est de l'Ontario
- Conseil scolaire de district catholique Centre-Sud
- Conseil scolaire de district catholique de l'Est ontarien
- Conseil scolaire de district catholique des Aurores boréales
- Conseil scolaire de district catholique des Grandes Rivières
- Conseil scolaire de district catholique du Centre-Est de l'Ontario
- Conseil scolaire de district catholique du Nouvel-Ontario
- Conseil scolaire de district catholique Franco-Nord
- Conseil scolaire de district des écoles catholiques du Sud-Ouest
- Conseil scolaire de district du Centre Sud-Ouest
- Conseil scolaire de district du Grand Nord de l'Ontario
- Conseil scolaire de district du Nord-Est de l'Ontario
- District School Board of Niagara
- District School Board Ontario North East
- Dubreuilville Roman Catholic Separate School Board
- Dufferin-Peel Catholic District School Board
- Durham Catholic District School Board
- Durham District School Board
- Essex County Children's Rehabilitation Centre School Authority
- Foleyet District School Area Board
- Foleyet Roman Catholic Separate School Board
- Gogama District School Area Board
- Gogama Roman Catholic Separate School Board
- Grand Erie District School Board
- Greater Essex County District School Board
- Halton Catholic District School Board
- Halton District School Board
- Hamilton-Wentworth Catholic District School Board
- Hamilton-Wentworth District School Board
- Hastings and Prince Edward District School Board
- Hornepayne Roman Catholic Separate School Board
- Huron-Perth Catholic District School Board
- Huron-Superior Catholic District School Board
- James Bay Lowlands Secondary School Board
- Kawartha Pine Ridge District School Board
- Keewatin-Patricia District School Board
- Kenora Catholic District School Board
- KidsAbility School Authority
- Lakehead District School Board
- Lambton Kent District School Board
- Limestone District School Board
- London District Catholic School Board
- Mine Centre District School Area Board
- Missarenda District School Area Board
- Moose Factory Island District School Area Board
- Moosonee District School Area Board
- Moosonee Roman Catholic Separate School Board
- Murchison and Lyell District School Area Board
- Nakina District School Area Board
- Near North District School Board
- Niagara Catholic District School Board
- Niagara Peninsula Children's Centre School Authority
- Nipissing-Parry Sound Catholic District School Board
- Northeastern Catholic District School Board
- Northern District School Area Board
- Northwest Catholic District School Board
- Ottawa Children's Treatment Centre School Authority
- Ottawa Catholic District School Board
- Ottawa-Carleton District School Board
- Parry Sound Roman Catholic Separate School Board
- Peel District School Board
- Penetanguishene Protestant Separate School Board
- Peterborough Victoria Northumberland and Clarington Catholic District School Board
- Rainbow District School Board
- Rainy River District School Board
- Red Lake Area Combined Roman Catholic Separate School Board
- Renfrew County Catholic District School Board
- Renfrew County District School Board
- Simcoe County District School Board
- Simcoe Muskoka Catholic District School Board
- St. Clair Catholic District School Board

Province of Ontario

Schedule 8: Government Organizations

School Boards – Ministry of Education (cont'd)

- Sudbury Catholic District School Board
- Superior North Catholic District School Board
- Superior-Greenstone District School Board
- Thames Valley District School Board
- Thunder Bay Catholic District School Board
- Toronto Catholic District School Board
- Toronto District School Board
- Trillium Lakelands District School Board
- Upper Canada District School Board
- Upper Grand District School Board
- Upsala District School Area Board
- Waterloo Catholic District School Board
- Waterloo Region District School Board
- Wellington Catholic District School Board
- Windsor-Essex Catholic District School Board
- York Catholic District School Board
- York Region District School Board

Colleges – Ministry of Training, Colleges and Universities

- Algonquin College of Applied Arts and Technology
- Cambrian College of Applied Arts and Technology
- Canadore College of Applied Arts and Technology
- Centennial College of Applied Arts and Technology
- Collège Boréal d'arts appliqués et de technologie
- Conestoga College Institute of Technology and Advanced Learning
- Confederation College of Applied Arts and Technology
- Durham College of Applied Arts and Technology
- Fanshawe College of Applied Arts and Technology
- George Brown College of Applied Arts and Technology
- Georgian College of Applied Arts and Technology
- Humber College Institute of Technology and Advanced Learning
- Le collège d'arts appliqués et de technologie la Cité collégiale
- Lambton College of Applied Arts and Technology
- Loyalist College of Applied Arts and Technology
- Mohawk College of Applied Arts and Technology
- Niagara College of Applied Arts and Technology
- Northern College of Applied Arts and Technology
- Sault College of Applied Arts and Technology
- Seneca College of Applied Arts and Technology
- Sheridan College Institute of Technology and Advanced Learning
- Sir Sandford Fleming College of Applied Arts and Technology
- St. Clair College of Applied Arts and Technology
- St. Lawrence College of Applied Arts and Technology

Province of Ontario

Schedule 9: Government Business Enterprises

Summary financial information of Government Business Enterprises is provided below.

For the year ended March 31, 2008 ($ Millions)	Algonquin Forestry Authority	Hydro One Inc.	Liquor Control Board of Ontario	Niagara Parks Commission
Assets				
Cash and Temporary Investments	5	538	142	3
Accounts Receivable	6	828	26	-
Inventories	-	26	335	6
Prepaid Expenses	-	-	18	-
Long-Term Investments	-	-	-	-
Fixed Assets	1	11,362	248	149
Other Assets	-	739	-	-
Total Assets	**12**	**13,493**	**769**	**158**
Liabilities				
Bank Indebtedness	-	12	-	-
Accounts Payable	3	791	376	7
Deferred Revenue	-	-	-	-
Long-Term Debt	-	6,159	53	33
Other Liabilities	-	1,520	-	3
Total Liabilities	3	8,482	429	43
Net Assets	9	5,011	340	115
Revenue	24	4,599	4,133	77
Expenses	24	4,192	2,759	78
Net Income (Loss)	-	**407**	**1,374**	**(1)**
Net Assets at Beginning of Year	9	4,863	311	116
Increase in Fair Value of Ontario Nuclear Funds at Beginning of Year *(Note 10)*	-	-	-	-
Restated Net Assets at Beginning of Year	9	4,863	311	116
Decrease in Fair Value of Ontario Nuclear Funds *(Note 10)*	-	-	-	-
Remittances from (to) Consolidated Revenue Fund	-	(259)	(1,345)	-
Net Assets	**9**	**5,011**	**340**	**115**

Ontario Clean Water Agency	Ontario Lottery and Gaming Corporation	Ontario Northland Transportation Commission	Ontario Power Generation Inc.	Total
49	752	-	303	1,792
18	66	26	390	1,360
-	-	18	664	1,049
2	58	1	38	117
9	-	-	-	9
4	2,500	264	12,760	27,288
120	61	86	11,306	12,312
202	**3,437**	**395**	**25,461**	**43,927**
-	-	13	-	25
10	389	32	1,334	2,942
-	16	1	129	146
-	191	30	3,925	10,391
12	359	69	12,754	14,717
22	955	145	18,142	28,221
180	2,482	250	7,319	15,706
132	6,261	140	5,761	21,127
128	4,404	151	4,954	16,690
4	**1,857**	**(11)**	**807**	**4,437**
176	2,311	242	5,953	13,981
-	-	-	1,494	1,494
176	2,311	242	7,447	15,475
-	-	-	(935)	(935)
-	(1,686)	19	-	(3,271)
180	**2,482**	**250**	**7,319**	**15,706**

Algonquin Forestry Authority (AFA)

The Algonquin Forestry Authority is responsible for forest management in Algonquin Park.

Hydro One Inc. (HOI)

The principal business of Hydro One Inc. is the transmission and distribution of electricity to customers within Ontario. It is regulated by the Ontario Energy Board.

Liquor Control Board of Ontario (LCBO)

The Liquor Control Board of Ontario regulates the purchase, sale and distribution of liquor for home consumption and liquor sales to licensed establishments through Liquor Control Board stores, Brewers' Retail stores and winery retail stores throughout Ontario. The Board buys wine and liquor products for resale to the public and tests all products sold to the public to maintain high standards of quality. The Board also establishes prices for beer, wine and spirits.

Niagara Parks Commission (NPC)

The Commission maintains, preserves and enhances the beauty and surroundings of the Horseshoe Falls and the Niagara River from Fort Erie to Niagara-on-the-Lake.

Ontario Clean Water Agency (OCWA)

The Agency assists municipalities in providing more cost-effective water and sewage services and encourages Ontario residents, municipalities and industries to conserve water. The Agency also finances, builds and operates water and sewage systems, as well as providing services to communities, all on a cost-recovery basis.

Ontario Lottery and Gaming Corporation (OLGC)

Under the *Ontario Lottery and Gaming Corporation Act, 1999*, the Corporation conducts lottery games and operates commercial casinos, charity casinos, and slot machines at Ontario racetracks.

Ontario Northland Transportation Commission (ONTC)

The Commission provides rail, bus, ferry, air and telecommunications services to northern Ontario.

Ontario Power Generation Inc. (OPG)

The principal business of Ontario Power Generation Inc. is the generation and sale of electricity in the Ontario wholesale market and in the interconnected markets of Quebec, Manitoba and the northeast and midwest United States.

Province of Ontario

Schedule 10: Broader Public Sector Organizations

Summary financial information of Broader Public Sector Organizations is provided below.

For the year ended March 31, 2008[1] ($ Millions)	Hospitals	School Boards	Colleges	Total
Expense				
Salaries, Wages and Benefits	13,974	15,090	1,658	30,722
Bursaries, Student Aid and Other Grants	–	–	84	84
Interest Expense	110	374	44	528
Amortization Expense	760	549	146	1,455
Other	5,504	3,553	806	9,863
Total Expenses	20,348	19,566	2,738	42,652
Revenue				
School Property Taxes	–	6,457	–	6,457
Fees, Donations and Other Primary Revenues	1,427	469	1,123	3,019
Interest and Investment Income	114	82	25	221
Other	1,426	728	187	2,341
Total Revenue	2,967	7,736	1,335	12,038
Net Expenses	**17,381**	**11,830**	**1,403**	**30,614**
Transfers from the Province	17,711	11,841	1,672	31,224
Increase/(Decrease) in Net Assets of Broader Public Sector Organizations	**330**	**11**	**269**	**610**
Net Assets – Beginning of Year	8,060	7,273	1,746	17,079
Net Assets	8,390	7,284	2,015	**17,689**
Financial Assets	4,732	2,572	1,081	8,385
Liabilities	9,216	11,941	1,426	22,583
Net Debt	(4,484)	(9,369)	(345)	(14,198)
Tangible Capital Assets	12,874	16,653	2,360	31,887
Net Assets	**8,390**	**7,284**	**2,015**	**17,689**

[1] Amounts reported include consolidation adjustments made to eliminate significant inter-organizational gains and losses., to record tangible capital assets for school boards, and to conform to the Province's fiscal year.

GLOSSARY

Note: The descriptions of the terms in the glossary are provided for the purpose of assisting readers of the 2008 Public Accounts. The descriptions do not affect or alter the meaning of any term under law. The glossary does not form part of the audited consolidated financial statements.

Accumulated Amortization: the total amortization which has been recorded over the life of an asset to date. The asset's total cost less the accumulated amortization gives the asset's net book value.

Accumulated Deficit: the difference between liabilities and assets. It represents the total of all past annual deficits minus all past annual surpluses, including prior period adjustments.

Amortization: expensing a portion of an asset's cost in an accounting period by allocating its cost over its estimated useful life. This is applicable to tangible capital assets and items such as expenses relating to a debt issue.

Appropriation: an authority of the Legislative Assembly to pay money out of the Consolidated Revenue Fund or to incur a non-cash expense.

Broader Public Sector (BPS): public hospitals, special psychiatric hospitals, school boards and colleges. For financial statements purposes, universities and other organizations such as municipalities are excluded because they do not meet the criteria of government organizations as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

Canada Health Transfer (CHT): a federal transfer provided to each province and territory in support of health care.

Canada Social Transfer (CST): a federal transfer provided to each province and territory in support of post-secondary education, social assistance and social services, including early childhood development and early learning and child care.

Capital Gain: the profit arising from the sale or transfer of capital assets or investments. For accounting purposes, it is the proceeds or market value received less the net book value of the capital asset or investment.

Capital Lease: a lease that, from the point of view of the lessee, transfers substantially all the benefits and risks incident to ownership of property to the lessee.

Cash and Cash Equivalents: cash or other short-term liquid low-risk instruments that are readily convertible to cash, typically within three months or less.

Consolidated Revenue Fund (CRF): the aggregate of all public monies on deposit to the credit of the Minister of Finance or in the name of any agency of the Crown approved by the Lieutenant

Governor in Council. Payments made from the CRF must be appropriated by a statute. *See* Appropriation.

Consolidation: the inclusion of the financial results of government-controlled organizations in the Province's consolidated financial statements.

Consumer Price Index (CPI): a broad measure of the cost of living. Through the monthly CPI, Statistics Canada tracks the retail price of a representative shopping basket of goods and services from an average household's expenditure: food, housing, transportation, furniture, clothing, and recreation. The percentage of the total basket that any item occupies is termed the "weight" and reflects typical consumer spending patterns. Since people tend to spend more on food than clothing, changes in the price of food have a bigger impact on the index than, for example, changes in the price of clothing and footwear.

Contingency Fund: an amount of expense that is approved by the Legislative Assembly at the beginning of the year to cover higher spending due to unforeseen events. This approved spending limit is allocated during the year to ministries for their programs and activities. The actual costs incurred are charged to the respective programs and activities and not to the contingency fund. Therefore, contingency fund as at the end of the Province's fiscal year is nil. *See* Reserve.

Contingent Liabilities: possible obligations that may result in the future sacrifice of economic benefits arising from existing conditions or situations involving uncertainty. That uncertainty will ultimately be resolved when one or more future events not wholly within the government's control occurs or fails to occur. Resolution of the uncertainty will confirm the incurrence or non-incurrence of a liability.

Contractual Obligations: obligations of a government to others that will become liabilities when the terms of any contract or agreement, which the government had entered into, are met.

Debenture: a debt instrument where the issuer promises to pay interest and repay the principal by the maturity date. It is unsecured, meaning there is no lien on any specific asset.

Debt: an obligation resulting from the borrowing of money.

Deficit: the amount by which government expenses exceed revenues in any given year. On a forecast basis, a reserve may be included.

Derivatives: financial contracts that derive their value from other underlying instruments. The Province uses derivatives including swaps, forward foreign exchange contracts, forward rate agreements, futures and options to hedge and minimize interest costs.

Fair Value: the price that would be agreed upon in an arm's length transaction and in an open market between knowledgeable, willing parties who are under no compulsion to act. It is not the effect of a forced or liquidation sale.

Financial Assets: assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets include cash; an asset that is convertible to cash; a contractual right to receive cash or another financial asset

from another party; a temporary or portfolio investment; a financial claim on an outside organization or individual; and inventory.

Financial Instrument: liquid asset, equity security in an entity, or a contract that gives rise to a financial asset of one contracting party and a financial liability or equity instrument of the other contracting party.

Fiscal Plan: an outline of the government's consolidated revenue and expense plan for the upcoming fiscal year and the medium term, including information on the projected surplus/deficit. The plan is formally presented in the Budget, which the government presents in the spring of each year and is updated, as required, during the year. The fiscal Plan numbers can be different from the expenditures outlined in the Printed Estimates.

Fiscal Year: the Province of Ontario's fiscal year runs from April 1 of a year to March 31 of the following year.

Floating Rate Notes (FRNs): debt instruments that bear a variable rate of interest.

Forgivable Loan: advances where the terms and conditions of the loan agreement allow for the non-repayment of the principal or accrued interest when certain conditions are met.

Forward Contract: a contract that obligates one party to buy, and another party to sell, a specified amount of a particular asset at a specified price, on a given date in the future.

Forward Rate Agreement: a forward contract in which one party pays a fixed interest rate and receives a floating interest rate.

Fund: fiscal and accounting entity segregated for the purpose of carrying on specific activities, or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Futures: an exchange-traded contract that confers an obligation to buy or sell a physical or financial commodity at a specified price and amount on a future date.

Gross Domestic Product (GDP): the total unduplicated value of the goods and services produced in the economy of a country or region during a given period of time such as a quarter or a year. Gross domestic product can be measured three ways: as total income earned in current production, as total final expenditures, or as total net value added in current production.

Hedging: a strategy to minimize the risk of loss on an asset (or a liability) from market fluctuations such as interest rate or foreign exchange rate changes. This is accomplished by entering into offsetting commitments with the expectation that a future change in the value of the hedging instrument will offset the change in the value of the asset (or the liability).

Indemnity: an agreement whereby one party agrees to compensate another party for any loss suffered by that party. The Province can either seek or provide indemnification.

Infrastructure: the facilities, systems and equipment required to provide public services and support private sector economic activity including network infrastructure (e.g., roads, bridges,

water and wastewater systems, large information technology systems), buildings (e.g., hospitals, schools, courts), and machinery and equipment (e.g., medical equipment, research equipment).

Loan Guarantee: an agreement to pay all or part of the amount due on a debt obligation in the event of default by the borrower.

Net Book Value of Tangible Capital Assets: historical cost of tangible capital assets less both the accumulated amortization and the amount of any write-downs.

Net Debt: the difference between the Province's total liabilities and financial assets. It represents the Province's future revenue requirements to pay for past transactions and events.

Nominal: an amount expressed in dollar terms without adjusting for changes in prices due to inflation or deflation. It is not a good basis for comparing values of GDP in different years, for which a "real" value expressed in constant dollars (i.e., adjusted for price changes) is needed. *See* Real GDP.

Non-Financial Assets: assets that normally do not generate cash capable of being used to repay existing debts. For the Province, it comprises tangible capital assets and net assets of broader public sector organizations.

Non-Tax Revenue: revenue received by the government from external sources. This also includes revenues from the sale of goods and services, fines and penalties associated with the enforcement of government regulations and laws; fees and licences; royalties; profits from a self-sustaining Crown agency; and asset sales.

Ontario Disability Support Program (ODSP): a program designed to meet the unique needs of people with disabilities who are in financial need, or who want and are able to work and need support. Ontarians aged 65 years or older who are ineligible for Old Age Security may also qualify for ODSP supports if they are in financial need. The program has two components: Income Support and Employment Supports. Income Support provides financial assistance and other benefits to eligible people with disabilities and their families. The ODSP Employment Supports program works with community service providers to help people with disabilities prepare for and find jobs, keep a job and advance their career. The program can also help people with disabilities become self-employed.

Option: a contract that confers the right, but not the obligation, to buy or sell a specific amount of a commodity, currency or security at a specific price, on a certain future date.

Other than a Temporary Decline: a loss in value of a portfolio investment that is other than a temporary decline occurs when the actual value of the investment to the government becomes lower than the carrying value and the impairment is expected to remain for a prolonged period.

Present Value: the current worth of one or more future cash payments, determined by discounting the payments using a given rate of interest.

Program Expense: total expense excluding interest on debt.

Public Accounts: the Consolidated Financial Statements of the Province along with supporting statements and schedules as required by the *Financial Administration Act, Treasury Board Act* and *Management Board of Cabinet Act.*

Real GDP: gross domestic product measured to exclude the impact of changing prices.

Recognition: the process of including an item in the financial statements of an entity.

Reserve: an amount included in the fiscal plan to protect the plan against unforeseen adverse changes in the economic outlook, or in the Provincial revenue and expense. Actual costs incurred by the ministry, which pertains to the reserve, are recorded as expenses of that ministry. *See* Contingency Fund.

Segment: a distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information to help users of the financial statements identify the resources allocated to support the major activities of the government.

Sinking Fund Debenture: a debenture that is secured by periodic payments into a fund established to retire long-term debt.

Straight Line Basis of Amortization: a method whereby the annual amortization expense is computed by dividing i) the historical cost of the asset by ii) the number of years the asset is expected to be used.

Surplus: the amount by which revenues exceed government expenses in any given year. On a forecast basis, a reserve may be included.

Tangible Capital Assets: physical assets including land, buildings, transportation infrastructure, information technology infrastructure and systems, vehicles and equipment. At this time the Province only includes land, buildings and transportation infrastructure in Tangible Capital Assets.

Temporary Investments: investments which are transitional or current in nature and generally capable of reasonably prompt liquidation.

Total Debt: the Province's total borrowings outstanding.

Total Expense: sum of program expense and interest on debt expense.

Transfer Payments: grants or transfers of monies to individuals, organizations or other levels of government for which the government making the transfer does not

- receive any goods or services directly in return, as would occur in a purchase or sale transaction;
- expect to be repaid, as would be expected in a loan; or
- expect a financial return, as would be expected in an investment.

Treasury Bills: short-term debt instrument issued by governments on a discount basis.

Unrealized Gain or Loss: an increase or decrease in the fair value of an asset accruing to the holder. Once the asset is disposed of or written off, the gain or loss is realized.

SOURCES OF ADDITIONAL INFORMATION

The Ontario Budget

The Ontario government presents a Budget each year, usually in the early spring. This document outlines expected expense and revenue for the upcoming fiscal year. For an electronic copy of the Ontario Budget, visit the Ministry of Finance website at www.fin.gov.on.ca.

The Estimates of the Province of Ontario

The government's spending Estimates for the fiscal year commencing April 1 are presented to members of the Legislative Assembly following the presentation of the Ontario Budget by the Minister of Finance. The Estimates outline the spending plans of each ministry and are submitted for approval to the Legislative Assembly according to the *Supply Act*. For electronic access, go to: www.fin.gov.on.ca.

Ontario Finances

This is a quarterly report on the performance of the government's Budget for the fiscal year. It covers developments during a quarter and provides a revised outlook for the remainder of the year. Copies may be obtained free by writing to the Ministry of Finance, Communications and Corporate Affairs Branch, 3rd Floor, Frost Building North, 95 Grosvenor Street, Toronto ON M7A 1Z1. For electronic access, go to: www.fin.gov.on.ca.

Ontario Economic Accounts

This quarterly report contains data on Ontario's economic activity. Copies may be obtained free by writing to the Ministry of Finance, Communications and Corporate Affairs Branch, 3rd Floor, Frost Building North, 95 Grosvenor Street, Toronto ON M7A 1Z1. For electronic access, go to: www.fin.gov.on.ca.

Please address your comments on this report to:

The Honourable Dwight Duncan
Minister of Finance
7th Floor
Frost Building South
7 Queen's Park Crescent
Toronto, Ontario
M7A 1Y7

You can also send your comments to the Minister by
electronic mail to:
annualreport@ontario.ca

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